

1 THOMAS E. PATTERSON (CA Bar No. 130723)
 MICHAEL L. TUCHIN (CA Bar No. 150375)
 2 DAVID M. GUESS (CA Bar No. 238241)
 KLEE, TUCHIN, BOGDANOFF & STERN LLP
 3 1999 Avenue of the Stars, 39th Floor
 Los Angeles, California 90067-6049
 Telephone: (310) 407-4052
 4 Facsimile: (310) 407-9090
 Reorganization Counsel for
 5 Debtors and Debtors in Possession

LENARD E. SCHWARTZER (NV Bar No. 0399)
 JEANETTE E. MCPHERSON (NV Bar No. 5423)
 SCHWARTZER & MCPHERSON LAW FIRM
 2850 South Jones Boulevard, Suite 1
 Las Vegas, Nevada 89146-5308
 Telephone: (702) 228-7590
 Facsimile: (702) 892-0122
 Local Bankruptcy Counsel for
 Debtors and Debtors in Possession

6 MARK SHINDERMAN (CA Bar No. 136644)
 MILBANK, TWEED, HADLEY & MCCLOY LLP
 7 601 South Figueroa Street, 30th Floor
 Los Angeles, California 90017
 Telephone: (213) 892-4411
 8 Facsimile: (213) 593-2801
 Special Counsel for Official Committee of Creditors Holding
 9 Unsecured Claims

KAARAN E. THOMAS (NV Bar No. 7193)
 RYAN WORKS (NV Bar No. 9224)
 McDONALD CARANO WILSON LLP
 2300 West Sahara Avenue, Suite 1000
 Las Vegas, Nevada 89102
 Telephone: (702) 873-4100
 Facsimile: (702) 873-9966
 Counsel for Official Committee of Creditors Holding
 Unsecured Claims

**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

12 In re:

Chapter 11

13 LAKE AT LAS VEGAS JOINT VENTURE, LLC

Affects this Debtor

Case No. 08-17814-LBR

LLV-1, LLC

Affects this Debtor

Case No. 08-17815-LBR

LLV HOLDCO, LLC

Affects this Debtor

Case No. 08-17817-LBR

LAKE LAS VEGAS PROPERTIES, L.L.C.

Affects this Debtor

Case No. 08-17820-LBR

LLV FOUR CORNERS, LLC

Affects this Debtor

Case No. 08-17822-LBR

NORTHSHORE GOLF CLUB, L.L.C.

Affects this Debtor

Case No. 08-17825-LBR

P-3 AT MONTELAGO VILLAGE, LLC

Affects this Debtor

Case No. 08-17827-LBR

THE GOLF CLUB AT LAKE LAS VEGAS, LLC

Affects this Debtor

Case No. 08-17830-LBR

MARINA INVESTORS, L.L.C.

Affects this Debtor

Case No. 08-17832-LBR

THE VINEYARD AT LAKE LAS VEGAS, L.L.C.

Affects this Debtor

Case No. 08-17835-LBR

LLV VHI, L.L.C.

Affects this Debtor

Case No. 08-17837-LBR

TCH DEVELOPMENT, L.L.C.

Affects this Debtor

Case No. 08-17841-LBR

TC TECHNOLOGIES, L.L.C.

Affects this Debtor

Case No. 08-17842-LBR

SOUTHSHORE GOLF CLUB, L.L.C.

Affects this Debtor

Case No. 08-17844-LBR

NEVA HOLDINGS, L.L.C.

Affects this Debtor

Case No. 08-17845-LBR

27 AFFECTS ALL DEBTORS

Debtors.

Jointly Administered Under Case No. BK-S-08-17814-LBR

**DISCLOSURE STATEMENT DESCRIBING CHAPTER 11 PLAN
 OF REORGANIZATION PROPOSED BY LAKE AT LAS VEGAS
 JOINT VENTURE, LLC AND ITS JOINTLY-ADMINISTERED
 CHAPTER 11 AFFILIATES AND THE OFFICIAL COMMITTEE
 OF CREDITORS HOLDING UNSECURED CLAIMS
 (DATED SEPTEMBER 4, 2009)**

(AFFECTS ALL DEBTORS)

Disclosure Statement Hearing

Hearing Date: October 15, 2009

Hearing Time: 10:00 a.m.

Plan Confirmation Hearing

Hearing Date: December 15, 2009

Hearing Time: 10:00 a.m.:

KLEE, TUCHIN, BOGDANOFF & STERN LLP
 1999 AVENUE OF THE STARS, 39TH FLOOR
 LOS ANGELES, CALIFORNIA 90067-6049
 TELEPHONE: (310) 407-4000

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 LOS ANGELES, CALIFORNIA 90067-6049
 TELEPHONE: (310) 407-4000

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 LOS ANGELES, CALIFORNIA 90067-6049
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 LOS ANGELES, CALIFORNIA 90067-6049
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 LOS ANGELES, CALIFORNIA 90067-6049
 TELEPHONE: (310) 407-4000

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KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

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KLEE, TUCHIN, BOGDANOFF & STERN LLP
 1999 AVENUE OF THE STARS, 39TH FLOOR
 LOS ANGELES, CALIFORNIA 90067-6049
 TELEPHONE: (310) 407-4000

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 1999 AVENUE OF THE STARS, 39TH FLOOR
 LOS ANGELES, CALIFORNIA 90067-6049
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LIST OF EXHIBITS

EXHIBIT NO.	DESCRIPTION
1	Chapter 11 Plan of Reorganization Proposed by Lake at Las Vegas Joint Venture, LLC and its Jointly-Administered Chapter 11 Affiliates and the Official Committee of Creditors Holding Unsecured Claims (Dated September 4, 2009)
2	List of T-16 LID Vendors
3	List of Phase II Landowners
4	Corporate Structure and Organization Chart
5a	Pending Pre-Petition Lawsuits
5b	Summary of Retained Claims, Causes of Action, and Other Rights
6a	Potential Preference Actions Against Non-Insiders (90-days)
6b	Potential Preference Actions Against Insiders (1-year)
7	24-Month Post-Confirmation Budget & Assumptions
8	Liquidation Analysis & Assumptions
9	Maps of Phases I, II and III of the Project
10	Maps of X-West, X-East and the Remainder Segments

DISCLOSURE STATEMENT DESCRIBING CHAPTER 11 PLAN OF REORGANIZATION PROPOSED BY LAKE AT LAS VEGAS JOINT VENTURE, LLC, AND ITS JOINTLY-ADMINISTERED CHAPTER 11 AFFILIATES AND THE OFFICIAL COMMITTEE OF CREDITORS HOLDING UNSECURED CLAIMS (DATED SEPTEMBER 4, 2009)¹

[THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED UNDER BANKRUPTCY CODE SECTION 1125(b) FOR USE IN THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN OF REORGANIZATION DESCRIBED HEREIN. THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF SUCH PLAN OF REORGANIZATION. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A BANKRUPTCY COURT DETERMINATION THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE.]

SUMMARY INFORMATION

Debtors: Lake at Las Vegas Joint Venture, LLC; LLV-1, LLC; LLV Holdco, LLC; Lake at Las Vegas Properties, L.L.C.; LLV Four Corners, LLC; NorthShore Golf Club, L.L.C.; P-3 at MonteLago Village, LLC; The Golf Club at Lake Las Vegas, LLC; Marina Investors, L.L.C.; The Vineyard at Lake Las Vegas, L.L.C.; LLV VHI, L.L.C.; TCH Development, L.L.C.; TC Technologies, L.L.C.; SouthShore Golf Club, L.L.C.; and Neva Holdings, L.L.C.

Recommendation: **The Debtors and the Creditors' Committee recommend that you vote in favor of the Plan.**

Vote Required to Accept the Plan: Acceptance of the Plan by a Class of creditors requires the affirmative vote of two-thirds in amount and a majority in number of the Allowed Claims actually voted in such Class.

Generally, only entities that hold Allowed Claims in the Classes designated as impaired in the chart attached as Exhibit A to the Plan that are to receive or retain property under the Plan on account of their Allowed Claims are entitled to vote.

If any impaired Class votes to reject the Plan, the Court nevertheless may confirm the Plan if the "cramdown" requirements of Bankruptcy Code section 1129(b) are

¹ Capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. The Plan, once confirmed, is the legally binding document regarding the treatment of Claims and Interests and the terms and conditions of the Debtors' reorganization. Accordingly, to the extent that there is any inconsistency between the terms contained herein and those contained in the Plan, the terms of the Plan will govern.

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satisfied with respect to such Class, provided that the other requirements for confirmation under Bankruptcy Code section 1129 have been satisfied.

Voting Information:

If you are entitled to vote, you should have received a Ballot with this Disclosure Statement. After completing and signing your Ballot, you should return it to:

Lake Las Vegas Ballot Tabulation
c/o Kurtzman Carson Consultants LLC
2335 Alaska Avenue
El Segundo, CA 90245

For your Ballot to be counted, Kurtzman Carson Consultants LLC must receive it no later than 12:00 p.m. Pacific Time on [date].

Confirmation Hearing:

The Confirmation Hearing will be held on December 15, 2009, at 10:00 a.m. Pacific Time. The Confirmation Hearing may be continued from time to time without further notice.

Treatment of Claims and Interests:

The treatment that creditors and shareholders will receive if the Court confirms the Plan is set forth in the Plan and summarized in Section IX.B of this Disclosure Statement. The terms of the Plan are controlling, and all creditors, shareholders and interested parties are urged to read the Plan in its entirety.

The Effective Date:

The Plan's Effective Date will be the first Business Day on which all of the conditions set forth in Section IV.P of the Plan have been satisfied or waived in accordance with the Plan.

Questions:

All inquiries about the Plan and Disclosure Statement should be in writing and should be sent to:

Klee, Tuchin, Bogdanoff & Stern LLP
Attn: David M. Guess, Esq.
1999 Avenue of the Stars, 39th Floor
Los Angeles, CA 90067
Facsimile: (310) 407-9090

IMPORTANT NOTICE:

THE PLAN, DISCLOSURE STATEMENT, AND BALLOTS CONTAIN IMPORTANT INFORMATION THAT IS NOT INCLUDED IN THIS SUMMARY. THAT INFORMATION COULD MATERIALLY AFFECT YOUR RIGHTS. YOU SHOULD THEREFORE READ THE PLAN, DISCLOSURE STATEMENT, AND BALLOTS IN THEIR ENTIRETY. YOU ALSO SHOULD CONSULT WITH YOUR LEGAL AND FINANCIAL ADVISORS BEFORE VOTING ON THE PLAN.

PLAN OVERVIEW:

THE PLAN IS A HIGHLY TECHNICAL DOCUMENT. PRESENTED BELOW IS A GENERAL DESCRIPTION OF WHAT THE PLAN PROVIDES AND IS INTENDED TO ACCOMPLISH. IT IS QUALIFIED BY THE EXPRESS TERMS OF THE PLAN, ALL OF WHICH ARE DESCRIBED HERE AND IN THE PLAN ITSELF.

THE PLAN SETS FORTH THE TREATMENT OF THE DEBTORS' VARIOUS CREDITOR GROUPS, DESCRIBES THE REORGANIZED DEBTORS' DEBT AND OWNERSHIP STRUCTURE, AND DESCRIBES

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

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THE REORGANIZED DEBTORS' EXPECTED POST-CONFIRMATION OPERATIONS.

THE PLAN PROVIDES FOR CHANGES IN THE DEBTORS' OWNERSHIP. THE DIP LENDERS WILL RECEIVE OVER 90% OF THE EQUITY IN THE REORGANIZED DEBTORS IN SATISFACTION OF THE \$127 MILLION DIP FACILITY. PORTIONS OF THE DIP FACILITY THAT WERE NOT EXPENDED DURING THE CASE WILL BE CONTRIBUTED TO THE REORGANIZED DEBTORS AND USED TO FUND OPERATIONS.

THE PLAN ESTABLISHES TWO SEPARATE TRUSTS TO PROVIDE FOR THE PAYMENT OF CREDITORS.

THE FIRST TRUST IS THE CREDITOR TRUST. IT WILL HOLD A FUND OF \$1 MILLION TO BE USED TO PAY CERTAIN UNSECURED CREDITORS. IT WILL ALSO HOLD CERTAIN LITIGATION CLAIMS THAT WILL BE TRANSFERRED TO IT. THE PROCEEDS OF THE LITIGATION WILL BE ALLOCATED AS FOLLOWS:

- 80% TO THE PRE-PETITION LENDER GROUP**
- 6 2/3% TO THE GENERAL UNSECURED CREDITORS**
- 6 2/3% TO THE LID VENDORS WHO MAKE THE LID VENDOR ELECTION**
- 6 2/3% TO THE PHASE II LANDOWNERS WHO EXECUTE THE PHASE II LANDOWNER SETTLEMENT AGREEMENT.**

THE SECOND TRUST IS THE T-16 LID TRUST. IT WILL RECEIVE THE PROCEEDS OF A \$5 MILLION LOAN FROM THE REORGANIZED DEBTORS TO PERFORM WORK ON THE T-16 LID, AND IS ESTABLISHED TO PROVIDE PAYMENTS TO THE DEBTORS' UNPAID LID VENDORS. IT IS DESCRIBED MORE BELOW.

THE PRE-PETITION LENDER GROUP (WHICH WAS OWED APPROXIMATELY \$622 MILLION AS OF THE PETITION DATE), WILL RECEIVE ONLY A SMALL PERCENTAGE OF THE EQUITY IN THE REORGANIZED DEBTORS AND THE 80% SHARE OF THE LITIGATION PROCEEDS FROM THE CREDITOR TRUST IN SATISFACTION OF THAT DEBT.

MECHANICS' LIEN HOLDERS WHO ESTABLISH THAT THEY HAVE VALID, PERFECTED AND ENFORCEABLE LIENS THAT ARE SENIOR TO THE DIP LENDERS' LIENS WILL EITHER RECEIVE A NOTE TO BE PAID OVER THREE YEARS, OR OTHER TREATMENT, AT THE ELECTION OF THE DEBTORS, THAT DOES NOT IMPAIR THE RIGHTS OF THE MECHANICS' LIEN HOLDER.

GENERAL UNSECURED CREDITORS WILL RECEIVE THEIR RATABLE SHARE OF A \$1 MILLION FUND AND THE 6 2/3% SHARE OF THE LITIGATION RECOVERIES FROM THE CREDITOR TRUST.

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

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THE PLAN ALSO MAKES PROVISION FOR TWO SPECIAL CLASSES OF UNSECURED CREDITORS.

FIRST, VENDORS THAT PERFORMED WORK ON T-16 LID SEGMENTS WILL HAVE THE RIGHT TO RECEIVE PAYMENTS OF UP TO 40 PERCENT OF THE AGREED-ON AMOUNTS OWED TO THEM (FOR REIMBURSABLE WORK) AND 10 PERCENT OF THE AGREED-ON AMOUNTS OWED TO THEM (FOR NON-REIMBURSABLE WORK), PLUS THE 6 2/3% SHARE OF THE LITIGATION RECOVERIES FROM THE CREDITOR TRUST. THE SOURCE OF THESE PAYMENTS IS FUNDS PREVIOUSLY RAISED BY THE CITY OF HENDERSON, WHICH ARE RECEIVED AS AND WHEN PROJECTS IN THE T-16 LID ARE COMPLETED AND THE CITY OF HENDERSON ACQUIRES AND PAYS FOR SUCH SEGMENTS. TO OBTAIN THESE PAYMENTS, THE APPLICABLE LID VENDORS MUST AGREE TO WAIVE THEIR LIENS ON THE PROJECT ARISING OUT OF THE T-16 LID-RELATED WORK.

SECOND, THE PLAN CONTEMPLATES THAT THE VARIOUS OWNERS OF LAND IN PHASE II OF THE PROJECT WILL ENTER INTO A SETTLEMENT AGREEMENT UNDER WHICH THEY WILL NO LONGER ASSERT THEIR CLAIMS (WHICH EXCEED \$200 MILLION) AGAINST THE ESTATES, BUT WILL INSTEAD RECEIVE THE BENEFITS OF CERTAIN REMAPPING AND OTHER CONVEYANCES, AS WELL AS THE COMPLETION OF CERTAIN IMPROVEMENTS IN THE T-16 LID THAT WILL LEAD TO THE RECORDATION OF AN AMENDED PARENT FINAL MAP FOR PHASE II. THOSE LANDOWNERS WILL ALSO PARTICIPATE IN A 6 2/3% SHARE IN THE LITIGATION RECOVERIES FROM THE CREDITOR TRUST.

THE INTERESTS OF THE ULTIMATE EXISTING EQUITY OWNERS OF THE PROJECT ARE BEING CANCELLED.

OPERATIONALLY, THE PLAN CONTEMPLATES THAT THE REORGANIZED DEBTORS WILL NOT UNDERTAKE ANY DEVELOPMENT WORK IN PHASE III FOR TWO YEARS. IN THE MEANTIME, THE REORGANIZED DEBTORS EXPECT TO HAVE ADEQUATE FUNDS (FROM CASH ON HAND, THE PROCEEDS OF CERTAIN EXIT FINANCING AND EXPECTED LAND SALES) WITH WHICH TO SATISFY THEIR ONGOING OBLIGATIONS FOR PAYMENT OF TAXES AND LID ASSESSMENTS, COMMUNITY MARKETING, AND FUNDING OF THE MASTER PROPERTY OWNERS' ASSOCIATION.

THE ONLY SIGNIFICANT DEVELOPMENT WORK ANTICIPATED DURING THE TWO YEARS FOLLOWING CONFIRMATION IS EXPECTED TO BE RELATED TO THE T-16 LID. THERE, THE DEBTORS WILL BE EXTENDING A \$5 MILLION TERM LOAN TO A NEWLY-CREATED ENTITY, THE T-16 LID TRUST, WHICH WILL TAKE OVER THE RESPONSIBILITY FOR COMPLETING PROJECTS IN THE T-16 LID. COMPLETING THE T-16 LID WORK HAS SEVERAL BENEFITS. FIRST, IT PROVIDES VITAL INFRASTRUCTURE TO THE PROJECT AND ENHANCES ITS OVERALL VALUE. SECOND, IT TAKES ADVANTAGE OF THE FUNDS THAT WERE PREVIOUSLY RAISED THROUGH A BOND OFFERING TO BOTH PAY FOR THE WORK, AS AND WHEN PROJECTS WITHIN THE T-16 LID ARE

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COMPLETED, AND TO PROVIDE A FUND THAT CAN PARTIALLY REPAY THE LID VENDORS WHO PERFORMED WORK ON THE T-16 LID PRE-PETITION, AND WHO HAVE NEVER BEEN PAID.

BY ITS TERMS, THE PLAN RELIES ON A SERIES OF INTERLOCKING SETTLEMENTS THAT ARE DESIGNED TO FAIRLY ALLOCATE THE VALUE OF THE PROJECT, PROVIDE A STABLE FINANCIAL BASIS FOR THE PROJECT TO MOVE FORWARD FOLLOWING CONFIRMATION AND, WHERE POSSIBLE, ALLOW DEVELOPMENT TO CONTINUE.

THE PLAN IS THE PRODUCT OF HUNDREDS OF HOURS OF NEGOTIATION AMONG THE DEBTORS, THE OFFICIAL COMMITTEE OF CREDITORS HOLDING UNSECURED CLAIMS, THE DEBTORS' LENDERS AND VARIOUS OTHER KEY CONSTITUENTS. IT PROVIDES ALL CREDITORS WITH THE MOST THAT CAN REASONABLY BE OBTAINED UNDER THE CIRCUMSTANCES.

THE DEBTORS AND THE OFFICIAL COMMITTEE OF CREDITORS HOLDING UNSECURED CLAIMS URGE YOU TO READ THIS DOCUMENT CAREFULLY, AND TO SUPPORT THE PLAN.

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

I.

INTRODUCTION

The following 15 debtors each Filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") on July 17, 2008 (the "Petition Date"), thereby commencing the Cases: Lake at Las Vegas Joint Venture, LLC ("LLVJV"); LLV-1, LLC ("LLV-1"); LLV Holdco, LLC ("LLV Holdco"); Lake Las Vegas Properties, L.L.C. ("LLV Properties"); LLV Four Corners, LLC ("LLV Four Corners"); NorthShore Golf Club, L.L.C. ("NorthShore"); P-3 at MonteLago Village, LLC ("P-3"); The Golf Club at Lake Las Vegas, LLC ("GC at LLV"); Marina Investors, L.L.C. ("Marina"); The Vineyard at Lake Las Vegas, L.L.C. ("Vineyard"); LLV VHI, L.L.C. ("LLV VHI"); TCH Development, L.L.C. ("TCH"); TC Technologies, L.L.C. ("TC Technologies"); SouthShore Golf Club, L.L.C. ("SouthShore"); and Neva Holdings, L.L.C. ("Neva"). The Cases are pending before the United States Bankruptcy Court for the District of Nevada (the "Court") under case numbers 08-17814-LBR, 08-17815-LBR, 08-17817-LBR, 08-17820-LBR, 08-17822-LBR, 08-17825-LBR, 08-17827-LBR, 08-17830-LBR, 08-17832-LBR, 08-17835-LBR, 08-17837-LBR, 08-17841-LBR, 08-17842-LBR, 08-17844-LBR and 08-17845-LBR, respectively. By order of the Bankruptcy Court, the Cases are being jointly administrated under case number 08-17814-LBR. The Estates, however, have not yet been substantively consolidated. Pursuant to Bankruptcy Code sections 1107 and 1108, the Debtors are operating their businesses and managing their affairs as debtors and debtors in possession.

The Debtors and the Creditors' Committee are the proponents of the "Chapter 11 Plan of Reorganization Proposed by Lake at Las Vegas Joint Venture, LLC and its Jointly-Administered Chapter 11 Affiliates and the Official Committee of Creditors Holding Unsecured Claims (Dated September 4, 2009)" (the "Plan") that is attached to this Disclosure Statement as Exhibit 1. **THE DOCUMENT THAT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE ACCOMPANYING PLAN.** The Plan sets forth the manner in which the Claims against, and Interests in, the Debtors will be treated following the Debtors' emergence from chapter 11. This Disclosure Statement describes certain aspects of the Plan, the Debtors' current and future business operations, including, but not limited to, the proposed reorganization of the Debtors, and

1 other related matters. Under the Plan, LLVJV, LLV-1, LLV Holdco, LLV Four Corners, GC at
2 LLV, Marina, and Vineyard will continue to operate as a going concern on and after the Effective
3 Date. The remaining Debtors will be merged into Reorganized LLVJV on or after the Effective
4 Date. The Plan is intended to be a reorganization within the meaning of Section 368(a) of the
5 Internal Revenue Code of 1986, as amended (the "Tax Code").

6 **FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ**
7 **THIS DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS TO BOTH**
8 **DOCUMENTS IN THEIR ENTIRETY.**

9 This Disclosure Statement sets forth the assumptions underlying the Plan, describes the
10 process that the Court will follow when determining whether to confirm the Plan, and describes how
11 the Plan will be implemented if it is confirmed by the Court. Bankruptcy Code section 1125 requires
12 that a disclosure statement contain "adequate information" concerning a plan of reorganization.
13 11 U.S.C. § 1125(a). The Court has **[not]** approved the form of this document as an adequate
14 disclosure statement that contains adequate information to enable entities affected by the Plan to
15 make an informed judgment when deciding whether to vote to accept or to reject the Plan. The
16 Court's approval of the adequacy of this Disclosure Statement, however, does not constitute a
17 determination by the Court with respect to the fairness or the merits of the Plan or the accuracy or
18 completeness of the information contained in the Plan or Disclosure Statement.

19 **THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS**
20 **DISCLOSURE STATEMENT. THEREFORE, THE PLAN'S TERMS ARE NOT YET**
21 **BINDING ON ANYONE. IF THE COURT LATER CONFIRMS THE PLAN AND THE**
22 **EFFECTIVE DATE OCCURS, THEN THE PLAN WILL BE BINDING ON THE DEBTORS**
23 **AND ON ALL PARTIES IN INTEREST IN THESE CASES, INCLUDING CREDITORS**
24 **AND INTEREST HOLDERS OF THE DEBTORS.**

25 The Debtors and the Creditors' Committee believe that the Plan provides, under the
26 circumstances, the best possible recoveries to creditors and that acceptance of the Plan is in the best
27 interests of all parties in interest. They therefore recommend that all eligible creditors entitled to
28 vote to accept or reject the Plan cast their Ballots to accept the Plan.

1 II.

2 GENERAL DISCLAIMERS AND INFORMATION

3 Please carefully read this document and the exhibits to this document. These documents
4 explain who is entitled to vote to accept or reject the Plan, who may object to confirmation of the
5 Plan, and the treatment that creditors and shareholders can expect to receive if the Court confirms
6 the Plan. The Disclosure Statement also describes the history of the Debtors, the events precipitating
7 the Cases, events in the Cases, the effect of Plan confirmation, and some of the issues the Court may
8 consider in deciding whether to confirm the Plan. It also analyzes the Plan's feasibility and how
9 your treatment under the Plan compares to your hypothetical treatment under a chapter 7 liquidation.
10 **The statements and information contained in the Plan and Disclosure Statement, however, do**
11 **not constitute financial or legal advice. You should therefore consult your own advisors if you**
12 **have questions about the impact of the Plan on your Claims.**

13 The financial information contained in the Plan and Disclosure Statement was prepared by
14 the Debtors from information in their books and records and is the sole responsibility of the Debtors.
15 The Debtors' professionals and financial advisors have prepared the Plan and Disclosure Statement
16 at the direction of, and with the review, input, and assistance of, the Debtors' management. The
17 Debtors' professionals and financial advisors have not independently verified this information.

18 The statements and information that concern the Debtors set forth in this document constitute
19 the only statements and information that the Court has approved for the purpose of soliciting votes to
20 accept or reject the Plan. Therefore, no statements or information that are inconsistent with anything
21 contained in this Disclosure Statement are authorized for the purpose of soliciting votes to accept or
22 reject the Plan unless otherwise ordered by the Court.

23 **You may not rely on the Plan and Disclosure Statement for any purpose other than to**
24 **determine whether to vote to accept or reject the Plan. Nothing contained in the Plan or**
25 **Disclosure Statement constitutes an admission of any fact or liability by any party, or may be**
26 **deemed to constitute evidence of, the tax or other legal effects that the reorganization set forth**
27 **in the Plan may have on entities holding Claims or Interests.**

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1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

1 Unless another time is expressly specified in this Disclosure Statement, all statements
 2 contained in this document are made as of September 4, 2009. Under no circumstances will the
 3 delivery of this Disclosure Statement, or the exchange of any rights made in connection with the
 4 Plan, create an implication or representation that there has been no subsequent change in the
 5 information included in this document. The Debtors assume no duty to update or supplement any of
 6 the information contained in this document, and they do not intend to undertake any such update or
 7 supplement.

8 **CAUTIONARY STATEMENT:** Some statements in this document may constitute
 9 forward-looking statements within the meaning of the Securities Act of 1933 (as amended, the
 10 "Securities Act") and the Securities Exchange Act of 1934 (as amended, the "Exchange Act"). Such
 11 statements are based upon information available when the statements were made and are subject to
 12 risks and uncertainties that could cause actual results materially to differ from those expressed in the
 13 statements. Neither the Securities and Exchange Commission (the "SEC") nor any state securities
 14 commission has approved or disapproved the Disclosure Statement, the Plan, or any Exhibits to
 15 either document.

16 The Exhibits listed in the following table are attached to the Disclosure Statement. These
 17 Exhibits are incorporated into the Disclosure Statement and will be deemed to be included in the
 18 Disclosure Statement when they are Filed.

EXHIBIT NO.	DESCRIPTION
1	Chapter 11 Plan of Reorganization Proposed by Lake at Las Vegas Joint Venture, LLC and its Jointly-Administered Chapter 11 Affiliates and the Official Committee of Creditors Holding Unsecured Claims (Dated September 4, 2009)
2	List of T-16 LID Vendors
3	List of Phase II Landowners
4	Corporate Structure and Organization Chart
5a	Pending Pre-Petition Lawsuits
5b	Summary of Retained Claims, Causes of Action, and Other Rights

EXHIBIT NO.	DESCRIPTION
6a	Potential Preference Actions Against Non-Insiders (90-days)
6b	Potential Preference Actions Against Insiders (1-year)
7	24-Month Post-Confirmation Budget
8	Liquidation Analysis & Assumptions
9	Maps of Phases I, II and III of the Project & Assumptions
10	Maps of X-West, X-East and the Remainder Segments

III.

WHO MAY VOTE TO ACCEPT OR REJECT THE PLAN

What follows in this Section III² is a general discussion of the rules governing the treatment and satisfaction of claims and equity interests under a plan of reorganization proposed under the Bankruptcy Code. Where a particular word (such as "Debtors") or term (such as "Allowed Claim") is capitalized in this Disclosure Statement, and not otherwise defined herein, that word or phrase has the meaning provided in Section I (Definitions) of the Plan. Where, however, a particular word (such as "debtor") or phrase (such as "allowed claim") is not capitalized in this Disclosure Statement, that word or phrase is not intended to refer to the definitions provided in Section I of the Plan, but rather, the word or phrase is intended to have the general meaning ascribed to it. Generally, to vote to accept or reject the Plan, your Claim must be: (a) an impaired Claim; (b) neither a Disputed Claim nor a Disallowed Claim; and (c) entitled to receive or retain some value under the Plan. Holders of unimpaired Claims are deemed to have accepted the Plan and do not vote, though they may object to Plan confirmation to the extent they otherwise have standing to do so. Holders of Claims and/or Interests that do not receive or retain any value under the Plan are deemed to reject the Plan. As defined by the Bankruptcy Code, a claim generally includes all rights to payment from a debtor, as opposed to an interest which generally represents an ownership stake in a debtor.

² Unless otherwise indicated, "Section" references are to sections of this Disclosure Statement.

1 **A. Allowed Claims.**

2 With the exceptions explained below, under the Bankruptcy Code, a claim generally is
3 allowed only if a proof of the claim is properly filed before any applicable bar date, and either no
4 party in interest has objected to, or the Court has entered an order allowing, the claim.³ Under
5 certain circumstances a creditor may have an allowed claim even if a proof of claim was not filed
6 and the applicable bar date for filing a proof of claim has passed. For example, a claim may be
7 deemed allowed if the claim is listed on a debtor's schedules of liabilities and is not scheduled as
8 disputed, contingent, or unliquidated.

9 A Claim must be an Allowed Claim for purposes of voting for the holder of such Claim to
10 have the right to vote to accept or reject the Plan. Generally, for voting purposes, a Claim is deemed
11 Allowed to the extent that: (a) either (1) a proof of Claim was timely filed; or (2) a proof of Claim is
12 deemed timely filed either under Bankruptcy Rule 3003(b) or by a Final Order; and (b) either (1) the
13 Claim is neither a Disputed Claim nor a Disallowed Claim, or (2) the Claim is allowed either by a
14 Final Order or under the Plan.

15 Under the Plan, an entity whose Claim is subject to an objection is not eligible to vote to
16 accept or reject the Plan unless that objection has been resolved in the entity's favor prior to the
17 Ballot Deadline, or, after notice and a hearing under Bankruptcy Rule 3018(a), the Court temporarily
18 allows the entity's Claim for the purpose of voting to accept or reject the Plan. Any entity that seeks
19 temporary allowance of its Claim for voting purposes must promptly File an appropriate motion and
20 take the steps necessary to arrange an appropriate and timely hearing with the Court no later than
21 seven (7) days prior to the Ballot Deadline (*i.e.*, no later than [date]).

22 **B. Impaired Claims and Interests.**

23 Generally speaking, under the Bankruptcy Code, a class of claims or interests is impaired if
24 the plan alters the legal, equitable, or contractual rights of the members of the class, even if the
25 alteration is beneficial to the creditors or interest holders. A plan's failure to provide a creditor with
26 an accelerated payment pursuant to a contract provision that entitles a creditor to accelerated
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28 ³ See Section VIII.E.14.a for specific information regarding the bar dates established in these Cases.

1 payment upon default, however, does not necessarily render such creditor's claim impaired, even if
2 the debtor defaulted. Instead, the claim is deemed unimpaired if, for example, the plan cures the
3 default, reinstates the maturity of the claim as it existed before the default, and compensates the
4 creditor for any damages incurred as a result of reasonable reliance upon the acceleration provision.
5 Section IX.B of this Disclosure Statement and Section II.C of the Plan set forth a summary of the
6 classification of all Claims and Interests under the Plan and whether or not they are impaired.

7 **IV.**

8 **VOTES NECESSARY TO CONFIRM THE PLAN**

9 Under the Bankruptcy Code, impaired claims or interests are placed in classes under a plan,
10 and each class must accept (or reject) that plan as a class. Certain types of claims are considered
11 unimpaired and are not classified because the Bankruptcy Code requires that they be treated a
12 specific way.

13 Under the Bankruptcy Code, a bankruptcy court may confirm a plan if at least one class of
14 impaired claims has voted to accept that plan (for this purpose, without counting the votes of any
15 insiders whose claims are classified within that class) and if certain statutory requirements are met
16 both as to any non-consenting members within a consenting class and as to any dissenting classes. A
17 class of claims has accepted the plan only when at least a majority in number and at least two-thirds
18 in amount of the allowed claims actually voting in that class vote to accept the plan. A class of
19 interests has accepted the plan only when at least two-thirds in amount of the allowed interests
20 actually voting in that class vote to accept the plan.

21 Even if the Debtors receive the requisite number of votes to confirm the proposed Plan, the
22 Plan will not become binding unless and until, among other things, the Court makes an independent
23 determination that confirmation is appropriate.⁴ This determination will be the subject of the
24 Confirmation Hearing. Also, even if only one Class of each of the Debtors' creditors votes to accept
25 the Plan, the Plan nonetheless may be confirmed if the dissenting Classes (and non-consenting
26 members within a consenting Class) are treated in a manner prescribed by the Bankruptcy Code.

27 _____
28 ⁴ See Section IV.P. of the Plan for a discussion of the various other conditions to confirmation and effectiveness of the Plan.

1 The Plan contains mechanisms providing alternative treatment to certain Classes in the event that
2 certain Classes reject the Plan in order to ensure that the Plan may nevertheless be confirmed.

3 **V.**

4 **INFORMATION REGARDING VOTING IN THESE CASES**

5 **A. Voting Instructions.**

6 The Debtors believe that the Classes designated as "Impaired" in the *Summary of*
7 *Classification and Treatment of Claims and Interests* (which is Exhibit A to the Plan) are impaired
8 pursuant to Bankruptcy Code section 1124. If the holders of Claims in these Classes are to receive
9 or retain property under the Plan on account of their Claims, then the holders of such Claims are
10 entitled to vote to accept or reject the Plan except to the extent such holders hold Disputed Claims
11 (unless their Claims are temporarily allowed for voting), or Disallowed Claims. If the holders of
12 Claims in these Classes are not entitled to receive or retain property under the Plan on account of
13 their claims, then the holders of such Claims are not entitled to vote.

14 The Debtors believe that the Classes designated as "Unimpaired" in the *Summary of*
15 *Classification and Treatment of Claims and Interests* are unimpaired pursuant to Bankruptcy Code
16 section 1124. The holders of Claims and Interests in these Classes are not entitled to vote.

17 In addition to the foregoing Classes, entities holding Administrative Claims and Priority Tax
18 Claims are not classified and are not entitled to vote to accept or reject the Plan.

19 Any party that disputes the Debtors' characterization of its Claim as unimpaired may request
20 a finding of impairment from the Court to obtain the right to vote, but such party must promptly take
21 action to request such a finding and arrange for the Court to hold a hearing and adjudicate such
22 request no later than seven (7) days prior to the Ballot Deadline (*i.e.*, no later than [**date**]).

23 In voting to accept or reject the Plan, use only the Ballot sent to you with this Disclosure
24 Statement, and carefully read the voting instructions on the Ballot for an explanation of the applicable
25 voting procedures and deadlines. If, after reviewing this Disclosure Statement, you believe that you
26 hold an impaired Claim or Interest and that you are entitled to vote to accept or reject the Plan but you
27 did not receive a Ballot, you did not receive the correct Ballot, or your Ballot is damaged or lost, please
28 send a written request for a Ballot to the Ballot Tabulator at the following address:

1 Lake Las Vegas Ballot Tabulation
2 c/o Kurtzman Carson Consultants LLC
3 2335 Alaska Avenue
4 El Segundo, CA 90245

5 If you wish to vote to accept or reject the Plan, your Ballot must be received by the Ballot
6 Tabulator, at the address listed above, no later than [time] Pacific Time, on [date]. If your Ballot is
7 not timely received by the Ballot Tabulator, it will not be counted. Ballots must be provided to the
8 Ballot Tabulator by mail, overnight delivery or messenger. **Ballots sent by e-mail or facsimile will
9 not be accepted by the Ballot Tabulator and will not be counted in tabulating votes accepting or
10 rejecting the Plan.**

11 If your Claim is a Disputed Claim and you wish to vote to accept or reject the Plan, you will be
12 required to move the Court to temporarily allow your Claim or Interest for voting purposes and take the
13 steps necessary to arrange an appropriate and timely hearing with the Court no later than seven (7)
14 days prior to the Ballot Deadline.

15 Any interested party desiring further information with respect to the Plan, or seeking
16 additional copies of this document, should contact in writing the Debtors' counsel, Klee, Tuchin,
17 Bogdanoff & Stern LLP, Attn: David M. Guess, Esq., at the following address:

18 Klee, Tuchin, Bogdanoff & Stern LLP
19 Attn: David M. Guess, Esq.
20 1999 Avenue of the Stars, 39th Floor
21 Los Angeles, CA 90067
22 Facsimile: (310) 407-9090

23 The cost of additional copies must be paid by the person ordering them. Alternatively, all pleadings
24 and other papers Filed in the Cases may be obtained for a fee by accessing the Court's PACER
25 system through the website of the United States Bankruptcy Court for the District of Nevada
26 (<http://www.nvb.uscourts.gov>), or for free by accessing the website maintained by Kurtzman Carson
27 Consultants LLC on behalf of the Debtors' counsel (<http://www.kccllc.net/lly>),

28 **B. Opt-In Classes.**

There are two categories of opt-in classes under the Plan—one category for T-16 LID
Vendors and one category for Phase II Landowners. In order to ensure that sufficient numbers of
T-16 LID Vendors and Phase II Landowners make the elections set forth under the Plan,

1 negotiations with T-16 LID Vendors and Phase II Landowners have been ongoing and the Debtors
2 anticipate that negotiations with T-16 LID Vendors and Phase II Landowners will continue and
3 settlements with those parties may be entered into prior to the approval of the Disclosure Statement.

4 **1. T-16 LID Payment Claims Election.**

5 If you are a T-16 LID Vendor, you are qualified to make the T-16 LID Payment Claims
6 Election. A list of T-16 LID Vendors, as it may be amended prior to the Ballot Deadline in the
7 Debtors' sole discretion, is set forth as Exhibit 2 to this Disclosure Statement. **Unlike holders of
8 Mechanics' Lien Claims that wish to establish that they hold Senior Mechanics' Lien Claims,
9 T-16 LID Vendors do not need to establish that their T-16 LID-Related Claims are senior in
10 priority to the Claims of the Primary DIP Lenders in order to make the T-16 LID Payment
11 Claims Election and thereby hold T-16 LID Payment Claims.**

12 By making the T-16 LID Payment Claims Election, you will receive, (a) from the T-16
13 LID Trust, upon receipt from the City of Henderson of payment for the specific project to which
14 your Claim relates, (i) 40% of the amounts owed to you, as specifically set forth in Exhibit 2, on
15 account of goods or services provided to the Debtors with respect to the T-16 LID prior to the
16 Petition Date with respect to which the T-16 LID Trust is entitled to payments from the City of
17 Henderson and actually receives payment, and (ii) 10% of the amounts owed to you, as specifically
18 set forth in Exhibit 2, on account of goods or services provided to the Debtors with respect to the
19 T-16 LID prior to the Petition Date with respect to which the T-16 LID Trust is not entitled to
20 receive payments from the City of Henderson; and (b) your Pro Rata share of the T-16 LID Payment
21 Net Litigation Proceeds Share.

22 In exchange, by making the T-16 LID Payment Claims Election, you (i) release and forever
23 discharge (a) the Debtors, (b) the Reorganized Debtors, (c) Atalon and Present Management, (d) the
24 Creditors' Committee, (e) members of the Creditors' Committee in their capacity as such, (f) Credit
25 Suisse, (g) any DIP Lender or holder of a Pre-Petition Lender Group Claim that provides a mutual
26 release, (h) all Phase II Landowners that enter into the Phase II Landowner Settlement Agreement,
27 and (i) with respect to the entities described in (c), (d), (f), and (g), their respective directors,
28 officers, shareholders, agents, attorneys, representatives, employees, insurers, predecessors,

1 successors, and assigns from any and all claims (including the Released Claims), demands, costs,
2 liabilities, liens, obligations, actions and causes of action of every nature, kind or description,
3 whether legal or equitable, known or unknown, liquidated or unliquidated, contingent or non-
4 contingent, suspected or unsuspected that relate in any way to your T-16 LID-Related Claim
5 (excepting only such claims and obligations solely arising out of, or expressly preserved by, the Plan
6 or the Phase II Landowner Settlement Agreement), and (ii) release any and all liens or security
7 interests (if any) you hold that arise out of your T-16 LID-Related Claim, including liens against all
8 land within the Project. By making the T-16 LID Payment Claims Election, you also become
9 obligated to execute all documentation reasonably requested by the Reorganized Debtors to
10 implement this paragraph.

11 Allowed T-16 LID Payment Claims are classified under the Plan in the following Classes:

- 12 • Class LLVJV-REIM
- 13 • Class LLV-1-REIM
- 14 • Class Vineyard-REIM

15 **AN ENTITY WISHING TO MAKE THE T-16 LID PAYMENT CLAIMS ELECTION**
16 **MUST INDICATE ON ITS BALLOT THAT IT WISHES TO MAKE THE T-16 LID**
17 **PAYMENT CLAIMS ELECTION, AND MUST TIMELY SUBMIT ITS BALLOT TO THE**
18 **BALLOT TABULATOR SUCH THAT SUCH BALLOT IS RECEIVED BY THE BALLOT**
19 **TABULATOR BY THE BALLOT DEADLINE, UNLESS OTHERWISE AGREED TO BY**
20 **THE DEBTORS IN THEIR SOLE DISCRETION.**

21 **2. Phase II Landowner Claims Election.**

22 If you are a Phase II Landowner, you are qualified to make the Phase II Landowner Claims
23 Election. Unlike with the other opt-in Class elections, an entity that has entered into the Phase II
24 Landowner Settlement Agreement shall be deemed to have made the Phase II Landowner Claims
25 Election, and no further or other action by such entity shall be required. A list of Phase II
26 Landowners, as it may be amended prior to the Balloted Deadline in the Debtors' sole discretion, is
27 set forth as Exhibit 3 to this Disclosure Statement.

1 By making the Phase II Landowner Claims Election, you will receive (i) such benefits as are
2 provided by the Phase II Landowner Settlement Agreement, including, but not limited to, adjustment
3 of the lot lines; (ii) benefits as third-party beneficiaries of the T-16 LID Trust; and (iii) your Pro Rata
4 share of the Phase II Landowner Net Litigation Proceeds Share. If you make the foregoing election,
5 your Claim will be counted for voting purposes a Phase II Landowner Claim, and not as a Secured
6 Claim, Senior Mechanics' Lien Claim, or a General Unsecured Claim, as applicable.

7 In exchange, by making the Phase II Landowner Claims Election and entering into the Phase
8 II Landowner Settlement Agreement, you (i) release and forever discharge (a) the Debtors, (b) the
9 Reorganized Debtors, (c) Atalon and Present Management, (d) the Creditors' Committee,
10 (e) members of the Creditors' Committee in their capacity as such, (f) the DIP Agent, (g) the
11 Pre-Petition Agent, (h) any DIP Lender or holder of a Pre-Petition Lender Group Claim that provides
12 a mutual release, and (i) with respect to the entities described in (c), (d), (f), (g), and (h), their
13 respective directors, officers, shareholders, agents, attorneys, representatives, employees, insurers,
14 predecessors, successors, and assigns from any and all claims (including the Released Claims),
15 demands, costs, liabilities, obligations, actions and causes of action of every nature, kind or
16 description, whether legal or equitable, known or unknown, liquidated or unliquidated, contingent or
17 non-contingent, suspected or unsuspected (excepting only such claims and obligations solely arising
18 out, or expressly preserved by, the Plan or the Phase II Landowner Settlement Agreement), and
19 (ii) release any and all liens or security interests you hold against property of the Estates or
20 landowners within the Project. By making the Phase II Landowner Claims Election, you also
21 become obligated to execute all documentation reasonably requested by the Reorganized Debtors to
22 implement this paragraph.

23 Allowed Phase II Landowner Claims are classified under the Plan in the following Classes:

- 24 • Class LLVJV-PH2
- 25 • Class LLV-1-PH2
- 26 • Class Vineyard-PH2

1 Plan, the Debtors will File a memorandum of points and authorities supporting the entry of the
2 Confirmation Order. This memorandum will be served on the U.S. Trustee, counsel for the
3 Creditors' Committee, counsel for the DIP Agent and Pre-Petition Agent, all entities that have
4 requested special notice in the Cases, and all parties that have timely objected to confirmation of the
5 Plan.

6 Any party in interest in the Cases—including any creditor or shareholder that voted (or was
7 deemed to have voted) to accept or reject the Plan—may File an objection to confirmation of the
8 Plan assuming such party has standing to do so. Any such objection must be Filed and served on the
9 Debtors and their counsel; the U.S. Trustee; counsel for the Creditors' Committee; and counsel for
10 the DIP Agent and the Pre-Petition Agent by [date], at [time] Pacific Time. **If you fail to properly
11 and timely File an objection to Plan confirmation, you may be deemed to have consented to the
12 Plan's confirmation.** If you wish to obtain more information, you should contact in writing:

13 Klee, Tuchin, Bogdanoff & Stern LLP
14 Attn: David M. Guess, Esq.
15 1999 Avenue of the Stars, 39th Floor
16 Los Angeles, CA 90067
17 Facsimile: (310) 407-9090

18 VIII.

19 **BACKGROUND ON THE DEBTORS, THEIR BUSINESSES, EVENTS PRECIPITATING 20 THEIR BANKRUPTCY FILINGS, AND SIGNIFICANT EVENTS IN THESE CASES**

21 **A. Description and History of the Debtors' Businesses.**

22 The Debtors are the owners of the Lake Las Vegas Resort, a 3,592-acre master-planned
23 residential development and resort community located approximately 20 miles east of the Las Vegas
24 strip, within the boundaries of the City of Henderson.

25 Although the Project encompasses almost 3,600 acres, much of the land is undevelopable
26 because of hills, mountains, canyons and other natural topographic features. The Project has
27 approvals for the construction of over 9,000 residential units, and also includes the 320-acre man-
28 made Lake MonteLago (the "Lake"), two luxury resort hotels (a Loews and a Ritz-Carlton), two
condo-hotels (MonteLago Village Resort), a casino, a specialty retail village shopping area, marinas,
three completed signature golf courses, a private club membership program that includes access to a

1 lakeside recreational clubhouse (the "Yacht & Beach Club") and other real property yet to be
2 developed that could accommodate residential, resort hotel, casino, golf course and commercial uses.
3 Presently, there are 32 separately identified residential subdivisions that are represented by nineteen
4 homeowner associations within the Project.

5 The Project is unique in both concept and scale. Over \$2 billion has been invested in it
6 since 1987, and over 1,670 residential units have been sold to third parties, comprising custom and
7 merchant-built homes, town homes, condominium units, condo-hotel units, and custom lots.

8 The Project is divided into three phases or planning areas (the "Phases"). Phase I consists of
9 over 500 developable acres that include commercial and residential uses. This Phase includes much
10 of the land immediately surrounding the Lake. Phase I also includes two Jack Nicklaus golf
11 courses—Reflection Bay golf course (together with the related clubhouse and golf course facilities,
12 "Reflection Bay") and SouthShore golf course ("SouthShore Golf Club")—as well as two resort
13 hotels and two condo-hotels. Currently, this Phase is approximately 50% built out, with 1,400 lots
14 or residential units sold to third parties. The Debtors own approximately 15% of the remaining
15 developable land in this Phase.

16 Phase II is located generally south of Phase I and includes land extending to Lake Mead
17 Parkway, which forms the southern boundary of this Phase. The land area in this Phase includes
18 approximately 850 acres planned for residential development that could accommodate over
19 2,200 residential units. This Phase encompasses the most topographically diverse and
20 developmentally challenging portions of the Project. This Phase lacks Lake frontage, but does
21 include the Tom Weiskopf-designed golf course—The Falls golf course (together with the related
22 clubhouse and golf course facilities, "The Falls"). Presently, this Phase is about 11% built out. The
23 Debtors own approximately 5% of the remaining developable land in this Phase.

24 Phase III is located north of Phase I and is bordered to the north by lands owned by the
25 Bureau of Land Management and to the east by the Lake Mead National Recreation Area. This area
26 includes almost 600 developable acres, and can accommodate up to an additional 4,000 residential
27 units. Portions of this Phase have Lake frontage. Currently, Phase III of the Project is less than 5%
28 built out. The Debtors own over 80% of the remaining developable land in this Phase.

1 The Project's existing residential units have been constructed and sold by public and private
2 homebuilders, including Centex Homes, Innovative Resort Communities, Intrawest, Pardee Homes,
3 Toll Brothers, and Woodside Homes. Additionally, a number of individual landowners have
4 constructed custom homes in the SouthShore guard-gated community located in Phase I
5 (the "SouthShore Community").

6 The Project also includes MonteLago Village, an Italian-themed shopping and restaurant area
7 on the shores of the Lake. The Debtors do not own or manage the MonteLago Village area.

8 Many of the homebuilders who have purchased and developed land at the Project currently
9 have significant unsold inventory. At present, there are over approximately 405 platted, partially
10 finished and finished lots owned by various builders, and over 104 finished homes ready for sale.
11 (A finished lot is one with respect to which all infrastructure, including roadways and utilities, has
12 been installed to each graded lot and is therefore ready for the construction of improvements; in
13 contrast, an unfinished lot is one as to which a final map has been recorded, but not all infrastructure
14 has been installed to the individual lots.)

15 The Debtors currently own the land at the Project not sold to homebuilders or others. This
16 unsold land comprises approximately 605 net developable acres—76.3 in Phase I, 37.5 in Phase II,
17 and 491.9 in Phase III. Maps depicting Phase I, Phase II and Phase III of the Project are attached
18 hereto as Exhibit 9. Maps depicting those segments of Phase II of the Project known as the X-West,
19 the X-East and the Remainder Segments are attached hereto as Exhibit 10.

20 One of the iconic features of the Project is Lake MonteLago, a 320-acre man-made lake, with
21 approximately 10 miles of shoreline. It lies along the Las Vegas Wash (the "Wash"), which is the
22 primary channel for draining the Las Vegas Valley of urban runoff, storm water, releases from
23 reclamation facilities, and the like. The Wash conveys water from the Las Vegas Valley east into
24 Lake Mead. The water in the Wash does not typically flow into the Lake. Rather, the water is
25 captured and diverted at the southwest end of the Lake into two separate 84" diameter pipes which
26 take the runoff beneath the Lake for approximately 2 miles to the northeastern point of the Lake, to
27 the boundary of the earthen dam where the Lake ends. There the pipes terminate, returning the
28 Wash water above-ground where it empties into Lake Mead, approximately 3.5 miles away.

1 For the most part, the Lake and the Wash operate independently: the Lake and the Project do
2 not draw water from the Wash (except during the rainy season, when excess storm water in the Wash
3 may be diverted into the Lake and subsequently released back into the Wash), and do not contribute
4 water to the Wash. Street and golf course runoff, as well as storm water from the Project, drains into
5 the Lake. Water from the Lake is used to water the Project's golf courses and certain common areas
6 within the Project. The Lake is replenished through water purchases from the City of Henderson
7 pursuant to that certain Agreement for Purchase of Raw Water dated September 23, 1991. At the
8 Lake's eastern end is an approximately 17-story earthen dam. The dam's spillway has an adjustable
9 bladder that helps regulate the level of the Lake by allowing for the release of water into the Wash in
10 the event of heavy rains.

11 As their core business, the Debtors manage, oversee, and coordinate all land development
12 activities for the Project. In particular, the Debtors govern, obtain and maintain governmental
13 Project approvals and seek entitlements for the development of land owned by the Debtors. The
14 Debtors also oversee and manage the engineering and construction of certain Project streets,
15 underground utilities, and mass grading. The Debtors' representatives comprise the majority of the
16 board of the MPOA, which approves and maintains the architectural design, site plan layouts,
17 density and other controls over what is built within the Project, including the right to approve any
18 construction, grading and design plans on land sold to homebuilders or other third-parties.

19 The essence of the Debtors' land development business is, and over the past 20 years has
20 been, to develop the Project according to the master plan, to build a brand identity through marketing
21 and other activities, and to sell land principally to homebuilding companies and other developers and
22 individuals, who will then build either single family homes, multi-unit residences or non-residential
23 structures on the purchased land.

24 Historically, the Debtors have sold land in exchange for cash, or cash plus a carry-back note.
25 As part of a sale, the Debtors would frequently incur an obligation to complete designated
26 infrastructure work (usually including the construction of roadways, drainage facilities, and water
27 and sewer infrastructure) and to bring utilities such as gas, water, sewer, cable and electricity to the
28 property line, all in accordance with a contractually-specified timeframe. The buyer to the land-sale

1 transaction would be responsible for the infrastructure work within the boundaries of the acquired
2 property. Under certain land-sale contracts, the Debtors are entitled to premium payments
3 (*e.g.*, where the sold property is developed and has unique lake, city or mountain views). The
4 Debtors do not expect to realize anything on account of their right to premium payments.

5 There are three 18-hole championship golf courses with clubhouses (the "Golf Courses") in
6 the Project. One of the Golf Courses, SouthShore Golf Club, is a private golf course designed by
7 Jack Nicklaus. It has operated as a non-equity membership-based private golf club; golf play has
8 been restricted to members and their guests. Reflection Bay is a Jack Nicklaus-designed public golf
9 course. The third golf course, The Falls, was open to the public and was designed by Tom
10 Weiskopf. As discussed below, the Debtors' interests in Reflection Bay and The Falls have been
11 foreclosed, and SouthShore's secured creditor, Dorfinco Corporation ("Dorfinco") is expected to
12 foreclose on SouthShore Golf Club on or after September 9, 2009. Although Reflection Bay and
13 The Falls are currently being maintained by their current owner (*e.g.*, the greens are being watered
14 and maintained), they are now closed.

15 LLVJV is the declarant of the MPOA, a Project association comprised of property owners in
16 all Phases of the Project. As declarant, its rights and obligations generally include: management and
17 preservation of the Project and land use rights for the Debtors' holdings; approval rights as to
18 changes in land use or proposed building improvements for all non-Debtor owned properties
19 throughout the Project; oversight, management and administration of the Project's design guidelines
20 review process to ensure that all structures reflect appropriate development standards; management
21 of the MPOA budget (particularly as it relates to declarant subsidies and costs); and responsibility
22 for community compliance with local, county, state and federal agency requirements. The MPOA
23 maintains private infrastructure, a community patrol service, roadways, common areas and open
24 spaces, the Lake, the dam and other areas throughout the Project. LLVJV currently appoints five of
25 the seven board members of the MPOA. One of the seven MPOA board members must also be
26 employed by the City of Henderson. In addition, LLVJV provides employees to the MPOA as
27 needed for common office services. LLVJV is expected to remain the declarant of the MPOA until
28 the statutory requirements are satisfied.

1 The Debtors also are members, as property owners, of the Lake Las Vegas SouthShore
2 Residential Community Association (the "SouthShore RCA"), and retain certain ongoing
3 development and design approval rights with respect to the SouthShore Community.

4 Certain of the Debtors' operations are centralized, with all payroll, cash management,
5 financial reporting and information systems integrated and interdependent. The Debtors' financial
6 information is presented on a consolidated basis. Excluding the employees of SouthShore, whose
7 employment is to terminate upon the foreclosure of SouthShore Golf Club, the Debtors collectively
8 employ approximately 41 full-time employees in connection with the Project.

9 The Debtors had virtually no revenue from land sales in 2008. Their only revenue has been
10 from the Golf Courses, some lot premium participations resulting from previous land sales to third
11 parties, some minor operating revenue associated with a restaurant (now closed), and the sale of
12 excess company vehicles and residential real estate within the Project owned by one or more of the
13 Debtors. The Debtors do not receive any substantial income from real property rents.

14 **B. The Debtors' Current Management and Board of Directors.**

15 The following individuals currently manage the Debtors:

16 • **Frederick Chin**, President & CEO of the Debtors. Previously, he was (i) the CEO of
17 a Las Vegas real estate operating company (homebuilding and land investment), (ii) a partner
18 in Ernst & Young's Real Estate Advisory Services Group and a national leader of the firm's
19 Real Estate Litigation practice area, and (iii) a partner with Kenneth Leventhal & Company.
20 Mr. Chin has over 28 years real estate industry experience.

21 • **James Coyne**, Senior Vice President of the Debtors. Previously, he was (i) the
22 former developer of master-planned communities, office and condominium developments,
23 and (ii) Vice President of Operations for Rhodes Homes. Mr. Coyne holds an M.B.A. degree
24 from the University of Arizona and has over 25 years of real estate industry experience.

25 • **Robert La Forgia**, Executive Vice President Finance and Treasurer of the Debtors.
26 Previously, he was (i) Executive Vice President and Chief Financial Officer of Hilton Hotels
27 Corporation, and (ii) Senior Vice President and Controller of Hilton Hotels Corporation. Mr.
28

1 La Forgia holds an M.B.A. degree from UCLA and has over 25 years of hospitality industry
 2 experience.

3 • **Keith Mosley**, Vice President, General Counsel and Secretary of the Debtors.
 4 Previously, he was (i) General Counsel of Rhodes Homes, (ii) General Counsel and Vice
 5 President of Business Development of Action Performance Companies, (iii) General Counsel
 6 at Amerifirst Financial, and (iv) a corporate finance and real estate attorney with Morrison &
 7 Foerster LLP and Venture Law Group. Mr. Mosley holds a J.D. degree from Columbia Law
 8 School and has over 22 years of legal experience.

9 • **Kirk Brynjulson**, Vice President of Land Development of the Debtors. Previously,
 10 he was (i) Vice President of Land Development of Beazer Homes in Nevada and at Rhodes
 11 Homes in Las Vegas, and (ii) responsible for three master-planned developments in Green
 12 Valley, a suburb of the City of Henderson, while working at the American Nevada
 13 Corporation in Las Vegas. Mr. Brynjulson has over 25 years of real estate industry
 14 experience.

15 The members of the board of directors of LLV Holdco are Frederick Chin, James Coyne, and
 16 Cheryl Tussie. Ms. Tussie is an independent director of LLV Holdco. The members of the board of
 17 directors of LLV-1 are Frederick Chin and James Coyne. None of the other Debtors has a board of
 18 directors.

19 **C. Description of the Debtors.**

20 The following Debtors are Nevada limited liability companies:

- | | |
|---|--|
| 21 • Lake at Las Vegas Joint Venture, LLC | • The Golf Club at Lake Las Vegas, LLC |
| 22 • LLV-1, LLC | • The Vineyard at Lake Las Vegas, L.L.C. |
| 23 • Lake Las Vegas Properties, L.L.C. | • LLV VHI, L.L.C. |
| 24 • LLV Four Corners, LLC | • TCH Development, L.L.C. |
| 25 • NorthShore Golf Club, L.L.C. | • SouthShore Golf Club, L.L.C. |
| 26 • P-3 at MonteLago Village, LLC | • Neva Holdings, L.L.C. |

27 The following Debtors are Delaware limited liability companies:

- | | | |
|----------------------|----------------------------|---------------------------|
| 28 • LLV Holdco, LLC | • Marina Investors, L.L.C. | • TC Technologies, L.L.C. |
|----------------------|----------------------------|---------------------------|

KLEE, TUCHIN, BOGDANOFF & STERN LLP
 1999 AVENUE OF THE STARS, 39TH FLOOR
 LOS ANGELES, CALIFORNIA 90067-6049
 TELEPHONE: (310) 407-4000

1 The principal executive office of each Debtor is located in Henderson, Nevada.

2 The following is a description of the Debtors' organizational structure. In addition, true and
3 correct copies of corporate organization charts that show the Debtors and the other downstream
4 entities that are their direct and indirect subsidiaries or affiliates prior to the Petition Date, as
5 modified pursuant to the Plan, and after the Effective Date are attached hereto as Exhibit 4.

6 The following Debtors are the wholly-owned subsidiaries of **LLV Holdco, LLC**:

-
- Lake at Las Vegas Joint Venture, LLC**
 - LLV-1, LLC**
-

8
9 LLVJV and LLV-1 are parent entities to the remaining twelve Debtor subsidiaries. Pursuant
10 to the Plan, LLV Holdco, LLVJV and LLV-1 are to continue as Reorganized LLV Holdco,
11 Reorganized LLVJV and Reorganized LLV-1, respectively. Reorganized LLVJV and Reorganized
12 LLV-1 will be subsidiaries of Reorganized LLV Holdco.

13 The following is a description of the wholly-owned Debtor subsidiaries of LLVJV:

- 14 • **Lake Las Vegas Properties, L.L.C.** is an entity used as a vehicle for conducting
15 sales and marketing activities. Pursuant to the Plan, LLV Properties is to continue as
16 Reorganized LLV Properties.
- 17 • **NorthShore Golf Club, L.L.C.** is the entity through which Reflection Bay was
18 operated prior to its foreclosure. Pursuant to the Plan, NorthShore is to be merged
19 into Reorganized LLVJV.
- 20 • **P-3 at MonteLago Village, LLC** formerly operated Como's Restaurant in
21 MonteLago Village. The Debtors closed the restaurant pre-petition, and P-3 rejected
22 the restaurant lease shortly after the commencement of the Cases. Pursuant to the
23 Plan, P-3 is to be merged into Reorganized LLVJV.
- 24 • **Marina Investors, L.L.C.** holds a 50% non-managing membership interest in Lake
25 Las Vegas Marina, LLC. The managing member (and owner of the other 50%
26 membership interest) is Westrec Lake Las Vegas, LLC, formerly known as Integrated
27 Display Technology, LLC, a third party unaffiliated with the Debtors. Lake Las
28 Vegas Marina, LLC currently provides services to the docks and boats at the Lake,

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LOS ANGELES, CALIFORNIA 90067-6049
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1 and owns the pleasure craft and touring boats on the Lake that are available for rent or
2 for cruises. Pursuant to the Plan, Marina is to continue as Reorganized Marina. In
3 the near term, the Debtors expect no revenue or expenses related to Reorganized
4 Marina.

- 5 • **The Vineyard at Lake Las Vegas, L.L.C.** owned and operated The Falls prior to its
6 foreclosure. Vineyard presently owns two small parcels of land totaling just over five
7 acres. Pursuant to the Plan, Vineyard is to continue as Reorganized Vineyard.
- 8 • **LLV VHI, L.L.C.** is the managing member, and holds a 46.43% membership
9 interest, in Village Hotel Holdings, LLC which, in turn, is the sole member of Village
10 Hotel Investors, LLC, the former owner of the Lake Las Vegas Ritz-Carlton Hotel.
11 (The Ritz-Carlton was foreclosed on during the pendency of the Cases.) Until April
12 2009, when their bankruptcy cases were dismissed, Village Hotel Holdings, LLC and
13 Village Hotel Investors, LLC were debtors and debtors in possession in other chapter
14 11 cases pending in this Court. *See In re Village Hotel Holdings, L.L.C.*, Case No.
15 08-13044-LBR; *In re Village Hotel Investors, L.L.C.*, Case No. 08-13043-LBR. In
16 these cases and generally, Village Hotel Holdings, LLC and Village Hotel Investors,
17 LLC were represented by separate counsel. Their cases were not being jointly
18 administered with the Cases. Pursuant to the Plan, LLV VHI is to be merged into
19 Reorganized LLVJV. It is expected that LLV VHI's subsidiaries will be dissolved.
- 20 • **TCH Development, L.L.C.** is dormant, with no business or assets. Pursuant to the
21 Plan, TCH is to be merged into Reorganized LLVJV.
- 22 • **TC Technologies, L.L.C.** is the entity through which the Debtors developed a
23 geothermal-based heating and cooling system for homes and buildings at the Project.
24 There are no known assets in this entity, but there are some residual liabilities.
25 Pursuant to the Plan, TC Technologies is to be merged into Reorganized LLVJV.
- 26 • **SouthShore Golf Club, L.L.C.** owns and operates SouthShore Golf Club, including
27 the clubhouse and associated restaurant, and employs the individuals who operate and
28 maintain the golf course and facilities. On August 10, 2009, the Court entered an

1 order authorizing Dorfinco, SouthShore's secured creditor, to foreclose on
2 SouthShore Golf Club on or after September 9, 2009. Pursuant to the Plan,
3 SouthShore is to be merged into Reorganized LLVJV.

- 4 • **Neva Holdings, L.L.C.** is a holding company for the cable and broadband service at
5 the Project. It has two subsidiaries: LLV Broadband, LLC ("Broadband") and
6 TransDen Cable, LLC ("TransDen"). Neva holds a 31% non-managing membership
7 interest in Broadband and a 100% membership interest in TransDen. Neva was
8 previously the 100% and managing member of Broadband, but conveyed a
9 69% interest to a third party pre-petition. As part of that transaction, Neva was to
10 transfer a similar percentage of TransDen to the third-party operator, but for reasons
11 that are not clear, that part of the transaction was not consummated. Pursuant to the
12 Plan, Neva is to be merged into Reorganized LLVJV. In conjunction with the
13 foregoing, 100% of the membership interests held by Neva in TransDen shall be
14 contributed to Broadband such that Reorganized LLVJV shall hold 31% of the
15 membership interests in Broadband, which shall hold 100% of the membership
16 interests in TransDen. In the near term, the Debtors expect no revenue or expenses
17 related to Broadband and TransDen post-confirmation.

18 The following is a description of the wholly-owned Debtor subsidiaries of LLV-1:

- 19 • **The Golf Club at Lake Las Vegas, LLC** owns and manages a program for
20 non-equity memberships at the Yacht & Beach Club. Presently, the Debtors intend to
21 reject these memberships and to develop a new club membership program (excluding
22 golf) centered around the Yacht & Beach Club. For a period of time, members of the
23 former club membership program will be offered memberships in the new program at
24 initially advantageous terms. When and if the ultimate ownership of the Golf Courses
25 stabilizes and the Golf Courses re-open, the Debtors hope to expand their
26 membership program to again include golf, but, as their ability to do so will depend
27 on the cooperation of the owners of the Golf Courses at that time, there can be no
28

1 assurances that this will happen. Pursuant to the Plan, GC at LLV is to continue as
2 Reorganized GC at LLV.

3 The following is a description of the other Debtor subsidiaries of LLVJV and LLV-1.

- 4 • **LLV Four Corners, LLC** holds a 50% non-managing membership interest in
5 Four Corners Town Center, LLC. The managing member is an unaffiliated third-
6 party entity called Gamma 4C, LLC. Four Corners Town Center, LLC owns land
7 zoned for commercial purposes at the intersection of Lake Las Vegas Parkway and
8 the terminus of the future Galleria Parkway, at Four Corners, the principal planned
9 commercial district of the Project. Although some grading work had been done on
10 Galleria Parkway prior to the Petition Date, Galleria Parkway is not currently under
11 construction and it is unclear when construction will resume. Pursuant to the Phase II
12 Landowner Settlement Agreement, the Reorganized Debtors agree not to open the
13 Galleria Parkway to the general public prior to December 31, 2011. Once completed,
14 Galleria Parkway will connect the Project to the adjacent population and commercial
15 centers to the west of the Project in Las Vegas and the City of Henderson, providing
16 additional critical access, traffic flow and visibility to the Project, as well as reducing
17 travel times to the Project from other Las Vegas locales. Accordingly, Four Corners
18 will be situated at a key intersection for the Project. Presently, there are buildings
19 already constructed on a portion of Four Corners, including the Project's information
20 pavilion building and the Debtors' and other professional offices. Ultimately, Four
21 Corners may contain substantial commercial, office, retail and residential uses.
22 Four Corners Town Center, LLC owns land and a 100% interest in an entity, Four
23 Corners SMA, LLC, which owns land and buildings. LLV Four Corners is 27.32%
24 owned by LLVJV, and 72.68% owned by LLV-1. Pursuant to the Plan, LLV Four
25 Corners is to continue as Reorganized LLV Four Corners, and Reorganized LLVJV
26 and Reorganized LLV-1 are to own 27.32% and 72.68% of Reorganized LLV Four
27 Corners, respectively.
28

1 In addition to the above-mentioned Debtor subsidiaries of LLVJV and LLV-1, LLVJV and
2 LLV-1 have direct and indirect interests in the following additional entities:

- 3 • LLVJV holds a 50% non-managing membership interest in LLVCF, LLC. The other
4 50% managing member is Florentia, LLC, which the Debtors believe to be owned by
5 Kathleen Harrison, the daughter of a member of prior management, and Robin
6 Prendergast. LLVCF, LLC owned and operated a wedding chapel at the Project. The
7 assets of LLVCF, LLC were sold to the Ritz-Carlton in March of 2009. As a
8 consequence, the Debtors do not receive any income as a result of the business
9 activities of LLVCF, LLC. LLVCF, LLC is in the process of winding up.
- 10 • LLVJV holds a 75% managing membership interest in LHW MonteLago Investors,
11 LLC. Hyatt Corporation and Woodbine/LLVR Ltd. respectively hold 20% and 5%
12 non-managing membership interests in LHW MonteLago Investors, LLC.
13 LHW MonteLago Investors, LLC, through a series of other entities, owned and
14 operated the Hyatt Lake Las Vegas hotel until late 2006, when the hotel was sold to
15 an entity controlled by Loews Corporation and other investors. The hotel is now
16 operated as The Loews Lake Las Vegas Resort. On June 3, 2009, a receiver was
17 appointed over the hotel. The Debtors do not have any ownership or other equity
18 interest in the hotel. LHW MonteLago Investors, LLC and its subsidiaries are in the
19 process of winding up their affairs and filing final tax returns. It is possible that some
20 insignificant amounts of cash may ultimately be distributed to LLVJV.
- 21 • LLVJV holds a 50% non-managing membership interest in Villas at SouthShore
22 LLC. That entity constructed and owns certain condominiums located next to the
23 clubhouse of SouthShore Golf Club. The remaining 50% membership interest in
24 Villas at SouthShore LLC is held by two entities affiliated with Amstar Homes, a
25 residential builder that is partially owned by a former consultant to the Debtors.
26 Construction defect litigation relating to these condominiums is pending. Villas at
27 SouthShore LLC will continue to exist after the Effective Date.

- 1 • LLVJV holds a 50% managing membership interest in LLV-M Investors, LLC. The
2 other 50% member is the John Moller Living Trust. LLV-M, LLC, in turn, holds a
3 50% non-managing membership interest in LLV-IRC, LLC. The managing member,
4 and other 50% owner, is IRC/17, LLC. LLV-IRC, LLC owns the Mantova
5 condominium development at the eastern edge of the SouthShore Community.
6 The underlying lenders of the Mantova condominium development recently
7 foreclosed on several lots behind the Mantova condominiums and several finished
8 condominium units held by LLV-IRC, LLC. It is unclear whether LLVJV's interest
9 in LLV-M, LLC has any current value. LLV-M Investors, LLC and LLV-IRC, LLC
10 will continue to exist after the Effective Date.
- 11 • LLVJV holds a 100% membership interest in The Great Masters Resort & Casino,
12 LLC, an entity that was formed to take ownership of, develop, and sell certain land
13 within Phase III of the Project. No land was ever transferred to The Great Masters
14 Resort & Casino, LLC, however. This entity is in the process of winding up.
- 15 • LLV-1 holds an undetermined membership interest in Sunset and Vines, LLC,
16 as there is a dispute relating to an undocumented investment in Sunset and Vines,
17 LLC. According to the little information available to the Debtors' current
18 management, as of 2007, the remaining interests were owned by three individuals,
19 one of which was the step-son of the former general counsel of the Debtors.
20 Sunset and Vines, LLC will continue to exist after the Effective Date.

21 **D. The Debtors' Pre-Petition Assets and Liabilities.**

22 **1. Pre-Petition Secured Liabilities.**

23 **a. The Pre-Petition Lender Group Facility.**

24 The Debtors are indebted under a term loan and synthetic revolving loan facility with the
25 Pre-Petition Agent in the principal amount of approximately \$622,000,000 plus interest through July
26 15, 2008 in the amount of \$4,400,000 (the "Pre-Petition Lender Group Facility"). The Pre-Petition
27 Lenders include a variety of institutional investment funds, investors and financial institutions. As
28 of the Petition Date, the Pre-Petition Lender Group Facility was secured by: (i) a first-priority deed

1 of trust on the Debtors' real property in the Project, exclusive of the Golf Courses and potentially
 2 subject to certain asserted mechanics' liens; (ii) pledges of substantially all of the equity interests in
 3 the Debtors and certain of the Debtors' non-debtor subsidiaries; and (iii) substantially all of the
 4 Debtors' personal property, excluding the personal property of Vineyard and LLV Four Corners and
 5 potentially subject to the liens securing the LID Financing Loans (defined below). Although
 6 Vineyard and LLV Four Corners are indebted under the Pre-Petition Lender Group Facility, the
 7 Pre-Petition Lender Group does not hold Secured Claims against their two Estates, except pursuant
 8 to the adequate protection liens provided under the order granting the DIP Motion (defined below).

9 In addition to the foregoing amounts, as of the Petition Date, the Debtors were also indebted
 10 under the Pre-Petition Lender Group Facility in the principal amount of \$48,870,000 plus interest in
 11 the amount of approximately \$256,000 for advances that certain of the Pre-Petition Lenders made
 12 beginning in the fall of 2007. These advances became part of the DIP Facility.

13 **b. Other Pre-Petition Secured Indebtedness.**

14 Besides the Pre-Petition Lender Group Facility, the Debtors had, as of the Petition Date,
 15 additional indebtedness in the aggregate amount of approximately \$85,000,000, that was allegedly
 16 secured by the Debtors' Golf Courses, joint venture interests in commercial land, T-16 LID Payment
 17 Rights, and notes receivable.

18 **(1) Indebtedness to Carmel.**

19 Vineyard is indebted to Carmel Land & Cattle Company ("Carmel") on a loan in the original
 20 principal amount of \$24,000,000 with respect to The Falls (the "Falls Loan"). LLVJV is indebted to
 21 Carmel on a loan in the original principal amount of \$23,400,000 with respect to Reflection Bay (the
 22 "Reflection Loan"). As of the Petition Date, the balance owed on these loans was approximately
 23 \$15,000,000 and \$13,000,000, respectively. As a result of Carmel's foreclosure of The Falls and
 24 Reflection Bay (discussed below), Carmel no longer holds any Secured Claims against the Debtors
 25 (with the sole exception of its Secured Claims with respect to certain cash collateral).

26 **(2) Indebtedness to Dorfinco.**

27 As of the Petition Date, SouthShore was indebted on a loan to Dorfinco in the original
 28 principal amount of approximately \$6,800,000 (the "SouthShore Loan"), secured by SouthShore

1 Golf Club. As of the Petition Date, the balance on the SouthShore Loan was approximately
2 \$6,200,000. After the Petition Date, Dorfinco provided debtor-in-possession financing to
3 SouthShore in the aggregate principal amount of approximately \$2,900,000, also secured by
4 SouthShore Golf Club. On August 10, 2009, the Court entered an order approving a stipulation
5 authorizing Dorfinco to foreclose on its collateral on or after September 9, 2009 and providing that
6 Dorfinco will release any remaining claims against the Debtors and their Estates.

7 **(3) LID Financing.**

8 LLVJV and LLV-1 are party to two separate Local Improvement Districts (the "LIDs")
9 created by the City of Henderson. Pursuant to a LID, the City of Henderson raised money through a
10 bond offering for a specific set of improvement projects, such as roads, water and sewer utilities,
11 drainage facilities, and other infrastructure. The developer—here LLVJV or an affiliate—constructs
12 the specified improvements in accordance with the project specifications of the LID. When the
13 project improvement is completed, the developer conveys the improvement to the City of
14 Henderson, and the City of Henderson pays the developer the approved acquisition price for the
15 improvement from the proceeds of the bond offering. In general, the acquisition price equals the
16 budgeted cost of constructing the improvement, less certain expenses that are not reimbursed.
17 Interest payments to bondholders and the principal reduction of the bonds is paid through an
18 assessment levied against properties that lie within the boundaries of the LID. Given that the City
19 of Henderson does not pay the Debtors for the improvements until after the improvement has been
20 completed, approved, and conveyed, lien free, to the City of Henderson, the Debtors borrowed funds
21 from Wells Fargo to help finance the cost of constructing the projects within the LIDs. In all, the
22 Debtors, prior to the Petition Date, and under their predecessor management and equityholders
23 borrowed a total of approximately \$8,100,000, secured by the Debtors' right to receive payment from
24 the City of Henderson for the projects within the T-16 LID, and approximately \$6,600,000, secured
25 by the Debtors' right to receive payment from the City of Henderson for the projects within the T-12
26 LID, to pay for the cost of constructing projects pursuant to those two LIDs (the "LID Financing
27 Loans"). The LID Financing Loans were guaranteed by certain of the Debtors' predecessor
28

1 management and equityholders and their associates. Pre-petition, the LID Financing Loans were
2 acquired by an entity called LID Acquisition, LLC ("LID Acquisition").

3 Pending litigation with LID Acquisition is described in detail in Section VIII.E.15.e.

4 **(4) Nevada State Bank.**

5 Coleman-Toll Limited Partnership ("Coleman-Toll") purchased a parcel of land from LLV-1
6 pre-petition. As part of that sale transaction, Coleman-Toll executed a seller carry-back note in
7 favor of LLV-1. LLV-1 in turn, borrowed under a loan facility from Nevada State Bank ("NSB")
8 approximately \$15,400,000 secured by that seller carry-back note. As part of the sale transaction, it
9 was contemplated that the Debtors would develop certain infrastructure relating to the parcel. The
10 loan from NSB to LLV-1 went into default, and LLV-1 did not develop the infrastructure relating to
11 the parcel. There are currently lawsuits among NSB, Coleman-Toll and certain of the Debtors with
12 respect to their rights and remedies against one another as a result of the foregoing. NSB contends
13 that it can enforce the seller carry-back note against Coleman-Toll without regard to the Debtors'
14 failure to complete the infrastructure; Coleman-Toll contends that it can offset its damages arising
15 out of the Debtors' non-performance against amounts it owes under the note.

16 In addition, LLVJV is separately obligated to NSB in the amount of approximately
17 \$1,100,000. This obligation is secured by a deed of trust on property owned by Four Corners Town
18 Center, LLC and Four Corners SMA, LLC, indirect, partially-owned subsidiaries of LLVJV.
19 Although this loan is not secured by property of the LLVJV Estate, this loan will continue to be paid
20 by the Reorganized Debtors on and after the Effective Date because the value of their indirect 50%
21 interest in the property exceeds the amount owed to NSB.

22 **(5) Gamma 4C LLC.**

23 LLVJV is obligated to Gamma 4C LLC for two loans in the combined amount of
24 approximately \$430,000. These obligations are likewise secured by a deed of trust on property
25 owned by Four Corners Town Center, LLC and Four Corners SMA, LLC. Although these loans are
26 not secured by property of the LLVJV Estate, these loans will continue to be paid by the
27 Reorganized Debtors on and after the Effective Date because the value of their indirect 50% interest
28 in the property exceeds the amount owed to Gamma 4C LLC.

1 **c. Mechanics' Liens.**

2 As set forth in the following chart, which is based upon the Schedules (as defined below), as
3 of the Petition Date, over \$20,000,000 in mechanics' liens had been asserted against several of the
4 Debtors and the property of their Estates in the following approximate collective amounts:

5 <i>Debtor</i>	<u>LLVJV</u>	<u>LLV-1</u>	<u>NorthShore</u>	<u>Vineyard</u>	<u>SouthShore</u>
6 Number of Claims	17	10	1	15	4
7 Amount of Claims	\$2,096,321	\$12,240,955	\$5,652	\$6,647,961	\$327,973

8 Since the filing of the Schedules, additional mechanics' lien claims have been filed and some
9 have been withdrawn. The Debtors believe that most, if not all, of the asserted mechanics' lien
10 claimants either do not hold valid mechanics' lien claims or the mechanics' lien claims they do hold
11 are junior in priority to the Pre-Petition Lender Group Claims, and, as such, are in fact, at most,
12 General Unsecured Claims against the Debtor(s) with whom the mechanics' lien claimant contracted.
13 In addition, the Debtors believe that the asserted mechanics' lien claims against Vineyard, by virtue
14 of the foreclosure of The Falls (discussed below), and against NorthShore are not secured by
15 property of the Estates, and are consequently, at most, General Unsecured Claims. As discussed
16 below, the Bankruptcy Court has approved procedures regarding the resolution of mechanics' lien
17 claims. Mediations pursuant to these procedures are currently ongoing.

18 **2. Unsecured Liabilities.**

19 Certain of the Debtors also have unsecured debts for borrowed money. For instance,
20 although Vineyard and LLV Four Corners are indebted under the Pre-Petition Lender Group
21 Facility, the holders of Pre-Petition Lender Group Claims are unsecured creditors of their Estates.

22 The Phase II Landowners hold the most significant unsecured claims against LLVJV and/or
23 LLV-1. Excluding the Claims of Carmel, which are discussed above, the asserted amount and
24 priority of the Phase II Landowners' Claims, which the Debtors dispute, is approximately as follows:

Phase II Landowner	Total Claim	Secured Claim	Unsecured Claim
Coleman-Toll Limited Partnership	\$91,696,508	\$21,070,555	\$70,625,953
CW Capital Fund One, LLC	\$27,100,100	\$-0-	\$27,100,100
Pleasant Valley Investments, LLC	\$28,247,569	\$8,077,477	\$19,970,093
Strategic Capital LLV, LLC	\$35,291,328	\$-0-	\$35,291,328
Woodside Provence, LLC	\$28,247,569	\$8,077,477	\$19,970,093

With the exception of Carmel, the Phase II Landowners or their predecessors-in-interest each entered into real property purchase agreements with LLVJV and/or LLV-1 pre-petition. As the basis for their Claims, these Phase II Landowners each assert that, among other things, LLVJV and/or LLV-1 breached their development and other obligations under the purchase agreements (*e.g.*, obligations to complete certain infrastructure improvements necessary for the Phase II Landowners' development of their own property, to pay certain property taxes, and to pay certain LID assessments above a stated cap), thereby allegedly causing significant damages to the Phase II Landowners by making it more difficult for them to complete, market and sell their property to homebuyers. A number of the Phase II Landowners completed some of the developments that LLVJV and/or LLV-1 otherwise were to complete under the purchase agreements. At least one of the Phase II Landowners asserts mechanics' liens against property of the Estates. Certain Phase II Landowners also assert claims for the turnover, or acceptance of, certain parcels of land by LLVJV and/or LLV-1. Some of the Phase II Landowners were involved in pre-petition litigation with LLVJV and/or LLV-1. By way of example, after LLV-1 sued Coleman-Toll Limited Partnership ("Coleman-Toll") for non-payment on a seller carry-back note issued in conjunction with the sale of real property to Coleman-Toll, Coleman-Toll filed a counter-claim against LLV-1, alleging claims to offset its damages.

In addition to the foregoing Claims, the Debtors have approximately \$20,000,000 in additional, unsecured liabilities. Of that, approximately \$15,000,000 arises out of trade payables relating to the Project. Many of the trade payables have been unpaid for a considerable period of time prior to the Petition Date, and many creditors have filed or otherwise asserted mechanics' liens.

3. Events Leading to the Debtors' Chapter 11 Filing.

1
2 The Debtors' current management team assumed operational control of the Project in early
3 January 2008. At that time, the Debtors had insufficient cash for operating purposes, including to
4 pay significant delinquent trade payables. In addition, the Pre-Petition Lender Group Facility and
5 the three Golf Course loans were in default, other secured debt was in default, the LID Financing
6 Loans were not being repaid (and the Debtors, out of cash, could not finance additional work that
7 could generate payments from the City of Henderson under the LID program), and many vendors
8 were recording mechanics' liens against the land owned by the Debtors and others within the Project.
9 At the same time, the Debtors had failed to complete infrastructure development for the benefit of
10 homebuilders and other landowners to whom the Debtors had sold land.

11 The current management, as it became more familiar with the Project after assuming
12 operational control, concluded that there were deep flaws in the previous business plan for the
13 Project. The prior business plan was premised on: (i) targeting sales to second-home purchasers
14 attracted by high-end golf courses, despite an increasingly competitive local and national market;
15 (ii) owning and controlling unprofitable ancillary businesses within the community; (iii) deferring a
16 significant portion of the purchase price paid by homebuilders and undertaking significant seller
17 obligations on behalf of such buyers, such as performing infrastructure work; (iv) requiring
18 homebuilder participation in a club membership program to offset operating losses at The Falls and
19 Reflection Bay; and (v) expending significant sums on the development of a fourth golf course, even
20 though the existing Golf Courses were under-utilized and unprofitable. Further exacerbating these
21 problems, it did not appear that prior management had adjusted the scope of the business plan,
22 staffing levels or overhead expenses in response to the changing and deteriorating market conditions.

23 The Project was thus ill-equipped to deal with any slowdown in the real estate market, much
24 less the unprecedented declines that have occurred. The Debtors lacked the resources to continue
25 operating the Golf Courses and ancillary businesses, which experienced negative cash flow before
26 debt service, and also lacked the resources to continue efforts to fulfill infrastructure development
27 obligations incurred many years earlier, resulting from land sales to third parties.
28

1 Prior to filing these chapter 11 cases, the Debtors' current management team spent several
2 months assessing the Debtors' business plan, meeting with affected constituencies, including the City
3 of Henderson, homeowners' associations, vendors, landowners, lenders, and homebuilders, and
4 aligning the Debtors' operations and overhead to the deteriorating market and financial climate.
5 Prior to the Petition Date, the current management closed or sold unprofitable businesses and
6 reduced staff by almost 140-full-time employees, reduced insurance costs, collected past due
7 receivables, reduced the Debtors' MPOA subsidy amounts, and otherwise reduced general
8 administrative expenses and other operating costs. In addition, the current management protested
9 and appealed certain real estate tax valuations, resulting in reduced tax liability. In total, these
10 pre-petition steps by current management reduced annual overhead and cost by over \$15,000,000.

11 In addition, the Debtors also endeavored to negotiate forbearances with secured creditors in
12 an effort to stabilize the Project and put in place a revised business plan for the Project. Despite
13 those efforts, the Debtors and their creditors were unable to accomplish a comprehensive and
14 substantive out-of-court restructuring given the magnitude of the Debtors' operational cash needs
15 and their inability to obtain funding outside chapter 11. Among other things, the Debtors were
16 delinquent in funding homeowners' and master property association obligations (which meant that
17 those associations were at risk of defaulting in providing essential services) and the 84" bypass pipes
18 that take water from the Wash under the Lake were deteriorating due to lack of ongoing maintenance
19 and repairs. The City of Henderson gave notice in December 2007 that erosion in the internal lining
20 of the pipes had been observed as early as 2004, but that the Debtors' predecessor management and
21 equityholders had taken no remedial action. The Debtors closed one of the pipes to prevent
22 additional deterioration which could have resulted in a leak and, in a catastrophic case, the draining
23 of the Lake. (Repairs on the pipes were completed in or about July 2009.)

24 **E. Significant Events of the Cases.**

25 **1. Preliminary Motions and Other Early Activity in the Cases.**

26 On the Petition Date, the Debtors Filed a number of emergency motions designed primarily to
27 minimize the impact of the commencement of the Cases on the Debtors' operations and to facilitate the
28

1 Debtors' compliance with the requirements of the Bankruptcy Code. Specifically, the Debtors Filed
2 the following motions, each of which was approved by the Bankruptcy Court:

- 3 • *Emergency Motion Pursuant to Local Bankruptcy Rule 4001(c) for Order Authorizing*
4 *Debtors and Debtors in Possession to Pay Prepetition Employee Compensation and*
Prepetition Costs Associated with Employee Benefit Programs;
- 5 • *Emergency Motion Pursuant to Local Bankruptcy Rule 4001(c) for Order Authorizing*
6 *Debtors to (I) Maintain Certain Customer Service Policies, Programs and Practices*
7 *and (II) Pay Certain Fees Associated with Credit Card Transactions and Gift Card*
8 *Program;*
- 9 • *Emergency Motion Pursuant to Local Bankruptcy Rule 4001(c) for Order*
10 *Establishing Notice Procedures and Permitting Debtors and Debtors in Possession to*
11 *Serve Insured Depository Institutions by First-Class Mail;*
- 12 • *Emergency Motion Pursuant to Local Bankruptcy Rule 4001(c) for Order*
13 *(I) Authorizing the Payment of Prepetition Sales and Use Taxes in the Ordinary*
14 *Course of Business and (II) Authorizing Banks and Financial Institutions to Honor*
15 *and Process Checks and Transfers Related Thereto;*
- 16 • *Emergency Motion for Order Directing Joint Administration of Related Cases Under*
17 *Bankruptcy Rule 1015(b);*
- 18 • *Emergency Motion Pursuant to Local Bankruptcy Rule 4001(c) for Order*
19 *Determining Adequate Assurance of Payment for Postpetition Utility Service; and*
- 20 • *Emergency Motion Pursuant to Local Bankruptcy Rules 4001(c) and 1007(d) for an*
21 *Order Extending Time to File Schedules and Statements.*

22 Detailed information regarding each of the above-listed motions, and the relief granted in
23 each of the orders thereon is not contained in this Disclosure Statement. These pleadings (as well as
24 all others Filed in the Cases) may be obtained by accessing PACER through the website of the
25 United States Bankruptcy Court for the District of Nevada (<http://www.nvb.uscourts.gov>), by
26 accessing the website maintained by Kurtzman Carson Consultants LLC (<http://www.kccllc.net/lly>),
27 or by sending a written request to Klee, Tuchin, Bogdanoff & Stern LLP, Attn: David M. Guess,
28 Esq., 1999 Avenue of the Stars, 39th Floor, Los Angeles, CA 90067, Facsimile: (310) 407-9090.

The Debtors and their professionals also spent a significant amount of time at the outset of
the Cases addressing requests for information from various constituencies (including furnishing legal
and financial information to the Creditors' Committee and the U.S. Trustee), and tackling a wide
array of operational and bankruptcy compliance and disclosure issues.

1 **2. Appointment of the Creditors' Committee.**

2 Shortly after the Petition Date, the U.S. Trustee appointed the Creditors' Committee in the
3 Cases. The following are the current members of the Creditors' Committee:

- 4 • CW Capital Fund One, LLC
- 5 • Strategic Capital Resources, Inc.
- 6 • Woodside Homes, Inc.

7 The Debtors' management and their professionals have been working closely and
8 cooperatively with the Creditors' Committee and its representatives during the Cases to (i) provide
9 the Creditors' Committee with current and historical information regarding the Debtors' operations,
10 finances, and other affairs, (ii) obtain input regarding various matters, including matters for which
11 the Debtors have sought Court approval during the Cases, and (iii) develop the Plan.

12 Pursuant to the Bankruptcy Court's *Order Pursuant to 11 U.S.C. § 105(a), § 1102(b)(3), and*
13 *§ 1103(c), Clarifying Requirements to (1) Provide Access to Information, and (2) Solicit and Receive*
14 *Comments from Creditors* (the "Creditor Information Order"), absent further order from the
15 Bankruptcy Court, the Creditors' Committee is prohibited from disseminating (i) non-public
16 information concerning the Debtors or the Creditors' Committee, and (ii) any other information if the
17 effect of such disclosure would constitute a general waiver of the attorney-client, work-product, or
18 other applicable privilege possessed by the Debtors or the Creditors' Committee.

19 Notwithstanding the foregoing, pursuant to the Creditor Information Order, creditors may
20 submit to the Creditors' Committee a written information request. Upon receipt of such a request,
21 the Creditors' Committee must provide a written response as soon as practicable, by no later than
22 ten (10) business days after receipt of the information request. The Creditors' Committee may
23 provide the creditor requesting information with any non-confidential, non-proprietary, and non-
24 privileged information in the Creditors' Committee's possession that is responsive to its information
25 request, unless the Creditors' Committee determines, in its sole discretion, that such request is
26 unduly burdensome. Pursuant to the Creditor Information Order, the Creditors' Committee is also
27 authorized to hold periodic meetings open to all creditors represented by the Creditors' Committee.
28 The Creditors' Committee provides notice of these periodic meetings by posting the date and the

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

1 time of such meetings, along with dial-in information, on the website maintained by Kurtzman
2 Carson Consultants LLC (<http://www.kccllc.net/llv>) at least fifteen (15) days before each meeting.

3 Contact information for counsel to the Creditors' Committee is as follows:

4 Milbank, Tweed, Hadley & McCloy LLP
5 Attn: Mark Shinderman, Esq.
6 601 South Figueroa Street, 30th Floor
7 Los Angeles, CA 90017
8 Facsimile: (213) 892-4211

McDonald Carano Wilson LLP
Attn: Kaaran E. Thomas, Esq.
2300 W. Sahara Ave., Ste. 1000
Las Vegas, NV 89102
Facsimile: (775) 788-2020

3. Debtor-in-Possession Financing and Use of Cash Collateral.

9 The Debtors' significant pre-petition debt and the economic downturn made it difficult for the
10 Debtors to obtain a commitment for debtor-in-possession financing. After months of negotiations,
11 the Debtors reached an agreement with the DIP Agent on the terms of a post-petition credit facility
12 that would provide post-petition financing in an aggregate principal amount of \$127,000,000 (the
13 "DIP Facility"). The DIP Facility was intended to permit the Debtors to fund their operations,
14 bankruptcy-related expenses (including U.S. Trustee fees and professional fees, which are discussed
15 in further detail below), and critical expenses, including repair of the bypass pipes under the Lake.

16 On the Petition Date, the Debtors filed a motion (the "DIP Motion") seeking interim approval
17 of the DIP Facility, authority to use the cash collateral of the Pre-Petition Agent, Carmel and
18 Dorfinco, and authority to grant adequate protection, replacement liens, security interests and claims
19 to those lenders. The DIP Motion contemplated that the DIP Facility would be used to finance all of
20 the Debtors' operations, including the operations of the Golf Courses during the Cases. There were
21 numerous objections to the DIP Motion, including by Carmel, Dorfinco and the U.S. Trustee, and, at
22 the Debtors' request, the Bankruptcy Court continued the hearing on the DIP Motion.

23 To sustain their operations pending the continued hearing and beyond, the Debtors negotiated
24 stipulations with the Pre-Petition Agent and Dorfinco, which the Bankruptcy Court approved,
25 regarding the consensual use of cash collateral. Further, after extensive negotiations with Dorfinco
26 and the Pre-Petition Agent, SouthShore entered into a separate post-petition credit facility with
27 Dorfinco to finance SouthShore's operations (the "Dorfinco DIP Facility"), and the Debtors amended
28 the DIP Facility to provide that the proceeds thereof would not be used by SouthShore. LLVJV,

1 NorthShore and Vineyard also entered into a stipulation with Carmel, which the Bankruptcy Court
2 approved, permitting those Debtors (i) to consensually use Carmel's cash collateral to fund the
3 operations of The Falls and Reflection Bay, and (ii) subject to budgetary limitations, to use the
4 proceeds of the DIP Facility to fund operating expenses of these two golf courses to the extent
5 Carmel's cash collateral alone would be insufficient to cover operations.

6 The Bankruptcy Court entered an order approving the DIP Facility on a final basis on August
7 6, 2008. The Dorfinco DIP Facility was approved on a final basis on October 28, 2008. LLVJV,
8 NorthShore and Vineyard entered into several subsequent stipulations regarding the consensual use
9 of Carmel's cash collateral up until the foreclosure of Reflection Bay and The Falls.

10 The maturity dates of the DIP Facility and the Dorfinco DIP Facility originally were the one-
11 year anniversary of the Cases, or July 17, 2009. By orders entered July 15, 2009 and July 17, 2009,
12 the Court authorized the Debtors to extend the maturity date of the DIP Facility to August 7, 2009
13 and the maturity date of the Dorfinco DIP Facility to September 30, 2009. (Pursuant to a later
14 stipulation between SouthShore and Dorfinco, which was approved by the Court on August 10,
15 2009, the maturity date of the Dorfinco DIP Facility has been amended to September 9, 2009.)
16 Between August 7, 2009 and August 31, 2009, the Debtors, the DIP Agent and the DIP Lenders
17 entered into a series of Court-authorized forbearance agreements. Since then, the Debtors, the DIP
18 Agent and the DIP Lenders have amended the DIP Facility to extend the maturity date through
19 December 31, 2009 and create new milestone dates so that the Debtors would no longer be in default
20 under the DIP Facility and there will be sufficient time to confirm and effectuate the Plan.

21 **4. Expiration of the Exclusivity Periods.**

22 In all, the Debtors filed five motions to extend their exclusive right under the Bankruptcy
23 Code to File and solicit acceptances to a plan of reorganization. The Bankruptcy Court granted each
24 of these motions. On June 30, 2009, the Debtors exclusive right to File and solicit acceptances to a
25 plan expired. As a result, any party in interest may now File and solicit acceptances to a plan.

26 **5. Motion to Dismiss the Cases.**

27 On August 20, 2009, Transcontinental Corporation and Transcontinental Properties, Inc., on
28 behalf of certain former equityholders and former management of the Debtors, filed a motion to

1 dismiss the Cases for an alleged lack of good faith and as the Debtors allegedly have no likelihood of
2 reorganization. The Debtors dispute the contentions and the arguments in this motion. A hearing
3 has been set on the motion to dismiss the Cases on October 2, 2009 at 11:00 a.m.

4 **6. The Golf Courses.**

5 For the first several months of these Cases, Vineyard owned and operated The Falls, LLVJV
6 owned and NorthShore operated Reflection Bay, and SouthShore owned and operated SouthShore
7 Golf Club. The Golf Courses had a history of significant operating losses, could not be operated
8 profitably, and were each worth far less than the amount of the secured claims asserted against them.
9 Each of the Golf Courses are separately discussed below.

10 **a. The Falls.**

11 On or about November 17, 2008, Vineyard filed a motion for entry of an order authorizing
12 the abandonment of The Falls and granting relief from the automatic stay to permit Carmel to
13 exercise remedies with respect to The Falls. Several parties objected. After a series of hearings on
14 Vineyard's abandonment motion, on or about January 29, 2009, the Bankruptcy Court entered an
15 order authorizing the abandonment of the real property associated with The Falls, and lifting the
16 automatic stay to permit Carmel to foreclose on such property on or after March 16, 2009.

17 Because the personal property associated with The Falls was excluded from the Bankruptcy
18 Court's order, and in order to enable Carmel to foreclose on substantially all of the assets of The
19 Falls at the same time, Carmel filed a motion for relief from the automatic stay to foreclose on the
20 personal property related to The Falls subject to Carmel's security interests, excluding all property
21 related to the P-40 pump station. This motion was unopposed, and the Bankruptcy Court entered an
22 order granting the motion on March 13, 2009. Thereafter, on or about March 17, 2009, Carmel
23 foreclosed on substantially all of the assets of The Falls. Although The Falls is being maintained
24 (*e.g.*, the greens are being watered and maintained), it is closed.

25 **b. Reflection Bay.**

26 On June 19, 2009, the Debtors moved for Bankruptcy Court approval of a stipulation
27 between Carmel and the Debtors granting Carmel relief from the automatic stay to foreclose on
28

1 Reflection Bay. By order entered June 30, 2009, the Bankruptcy Court granted the Debtors' motion.
2 The foreclosure of Reflection Bay took place on July 9, 2009.

3 **c. SouthShore Golf Club.**

4 On or about March 31, 2009, LLVJV, SouthShore and Dorfinco entered into a stipulation,
5 which the Bankruptcy Court approved, authorizing Dorfinco to record and serve a Notice of Default
6 and Election to Sell pursuant to N.R.S. 107.080 relating to the property comprising SouthShore Golf
7 Club, which Dorfinco recorded and served on or about May 12, 2009. Later, Dorfinco filed a
8 motion and an amended motion for relief from the automatic stay to foreclose on SouthShore Golf
9 Club. Pursuant to a stipulation between the Debtors and Dorfinco, which was approved by the
10 Bankruptcy Court by order entered August 10, 2009, Dorfinco is authorized to foreclose on
11 SouthShore Golf Club on or after 5:01 p.m. (Pacific time) on September 9, 2009. The stipulation
12 further provides that Dorfinco will release any remaining claims against the Debtors.

13 **7. Reformatting the Club Membership Program.**

14 As a consequence of the foreclosure of the Golf Courses, the Debtors intend to reject all
15 currently outstanding club memberships and to develop a new membership program (excluding golf)
16 centered around the Yacht & Beach Club, a social and recreational club that is completely owned
17 and operated by the Debtors. For a period of time, members of the former club membership
18 program will be offered memberships in the new program at initially advantageous terms. When the
19 ultimate ownership of the Golf Courses stabilizes and the Golf Courses re-open, the Debtors hope to
20 expand their membership program to again include golf, but, as their ability to do so will depend on
21 the cooperation of the future owners of the Golf Courses, there can be no assurances that this will
22 happen.

23 **8. Mechanics' Liens and Mediation Procedures.**

24 As noted above, the Debtors believe that most, if not all, of the asserted mechanics' lien
25 claimants either do not hold valid mechanics' liens or the mechanics' liens they do hold are junior in
26 priority to the Pre-Petition Lender Group Claims, and, as such, are in fact, at most, General
27 Unsecured Claims against the Debtor(s) with whom the mechanics' lien claimant contracted.
28 To resolve issues of validity and priority in an expeditious and cost-effective manner, the Debtors, in

1 consultation with asserted mechanics' lien claimants, developed procedures which contemplate,
2 among other things, (i) the setting of a deadline by which proofs of mechanics' lien claims must be
3 filed by asserted mechanics' lienors, and (ii) the establishment of mediation procedures to facilitate
4 the resolution of the mechanics' lien claims. On May 18, 2009, the Bankruptcy Court entered an
5 order approving these procedures, and the mediations under these procedures have commenced.
6 Unresolved claims will be resolved through the Bankruptcy Court's claims allowance process.

7 **9. Compromises with the Lake Las Vegas SouthShore Residential**
8 **Community Association, Inc.**

9 The Debtors and the SouthShore RCA have entered into two compromises, which have been
10 approved by the Bankruptcy Court, collectively globally resolving the pre-petition disputes between
11 the Debtors and the SouthShore RCA relating to the transition of the SouthShore RCA to the
12 SouthShore Community property owners in accordance with chapter 116 of the Nevada Revised
13 Statutes, and a lawsuit filed in the Eighth Judicial District Court, Clark County, Nevada by the
14 SouthShore RCA and certain residents of the SouthShore Community, asserting claims for
15 injunctive relief, declaratory relief, negligence, nuisance, and estoppel, all primarily, if not
16 exclusively, related to the installation, maintenance, use and operation of the SouthShore
17 Community's secondary access gate.

18 In particular, a dispute had ensued regarding which items LLVJV was required to fulfill in
19 order to finalize the above-described transition. Pursuant to the compromises, in exchange for,
20 among other things, a payment of \$2,000,000 by the Debtors (which had been included in the budget
21 under the DIP Facility), the Debtors' completion of certain minor construction repairs, and the
22 transfer of certain property—principally common element parcels and roadways—to the SouthShore
23 RCA that was of no value (or negative value) to the Debtors, the SouthShore RCA, *inter alia*,
24 waived over \$8,000,000 in Claims against the Estates, assumed full responsibility and liability for
25 constructing, repairing, maintaining and operating all real personal property conveyed, or to be
26 conveyed, to the SouthShore RCA by the Debtors, and executed a mutual release. The compromises
27 also called for, *inter alia*, the recordation of access, construction and maintenance, and municipal
28 utilities easements, the facilitation of discussions between the SouthShore RCA and Dorfinco to

1 resolve issues affecting the operations of SouthShore Golf Club and the SouthShore RCA, an
2 agreement between the parties that the SouthShore Community's secondary access gate is not merely
3 an "emergency" gate, and the dismissal of the lawsuit relating to the secondary access gate.

4 **10. General Developments Within the Community.**

5 Since the Petition Date, real estate market conditions in Las Vegas have significantly and
6 continuously deteriorated. Real estate demand, as measured by new home closings, has declined
7 from a peak of over 3,200 new homes sold per month on average in 2005 (or over 38,000 new
8 homes per year), to just under 400 new homes sold per month in 2009 (indicating annualized
9 demand at 5,000 new homes). New single-family detached median home prices, after peaking in
10 April of 2006 at \$365,000, have declined over 40% as of 2009, to \$218,000. The current median
11 new single family home price is similar to that attained during February 2004.

12 These declines in housing demand and real estate prices have also increased the number of
13 home foreclosures. Since January of 2007, over 49,000 homes in Las Vegas have been foreclosed or
14 taken back by lenders; during most of 2009, foreclosures and lender take backs exceeded homes
15 sold. The number of foreclosures, combined with significant price reductions, have reputedly caused
16 financial problems for other Las Vegas real estate master-planned community projects, including
17 Inspirada, Kyle Canyon, Rhodes Ranch, Tuscany and Park Highlands. Rhodes Ranch, Tuscany, and
18 the partnership behind Park Highlands, for instance, have all filed for chapter 11 bankruptcy.

19 General economic conditions in Las Vegas have also declined; after reaching record levels of
20 visitation, gaming wins, hotel occupancy rates and number of conventions held during 2007, each of
21 these key indicators has suffered a double-digit decline. The weaker market conditions have put
22 significant pressures on a majority of the large gaming companies serving Las Vegas. The
23 unemployment rate in Clark County, Nevada reached a historic high of 13.1% in June of 2009, with
24 economists expecting that number to increase. Previously unemployment rates during 2005 were as
25 low as 3.8%.

26 The Project is directly affected by the economic health and vitality of Las Vegas. As a
27 consequence, performance of the actively selling new residential subdivisions at the Project has been
28 dire. During 2009, 26 new homes have sold at prices that are up to 70% less than previous closing

1 prices for the same type of home. Foreclosures are at a record high within the Project; currently,
2 there are almost 100 bank-owned properties. Asking prices for some of these bank-owned properties
3 are up to 90% below their original purchase prices (some of which were purchased less than two
4 years ago). Second home high-density and condominium prices have suffered the greatest drops.

5 As the Debtors' assets consist almost exclusively of vacant land that they intend to sell to
6 third parties as part of future development within the Project, the Debtors have had no land sales
7 since before the Petition Date. Also, many of the builders within the Project have experienced their
8 own financial difficulties; TOUSA Homes, Inc., Woodside Homes, Inc. and their respective
9 affiliates have filed their own bankruptcy cases, while Innovative Resort Communities, another
10 builder of homes in the Project, had a majority of its properties in the Project foreclosed or taken
11 back by lenders.

12 Market conditions are not expected to improve in the near term. Conditions are not expected
13 to improve until excess supply is absorbed, the record level of foreclosures abates, real estate prices
14 stabilize, gaming demand improves and unemployment levels decrease significantly.

15 **11. T-16 LID Issues.**

16 As discussed above, under the terms of the T-16 LID, the City of Henderson has agreed to
17 purchase certain improvements within the Project upon the construction of the improvements to
18 previously agreed upon standards, and their conveyance, free and clear of liens, to the City of
19 Henderson. Bonds previously sold to third-party investors provide the funds needed by the City of
20 Henderson to purchase the constructed improvements. All property owners within the T-16 LID
21 improvement district agreed to pay an additional tax, or assessment on their property, in order to
22 repay the principal and pay interest on these bonds. Prior to the Petition Date, the Debtors and the
23 City of Henderson entered into several agreements related to the T-16 LID, including an acquisition
24 agreement, pursuant to which the City of Henderson agreed to acquire a specific list of improvement
25 projects, each at a specific "acquisition price."

26 Functionally, given the timing of the payment on account of the LIDs, the foregoing process
27 effectively operates as a reimbursement program, meaning that the Debtors must have a source of
28 capital to initially construct the improvements before they can be acquired by the City of Henderson.

1 Under the terms of the T-16 LID, only certain, specific improvements and amounts outlined in the
2 original agreements pursuant to which the bonds were sold are eligible to be paid to the developer.
3 Moreover, LID projects are never intended to allow for complete payment to the developer of all
4 costs associated with the construction of improvements on the acquisition list. Certain costs,
5 including landscaping and the cost to provide electrical service, are not eligible for acquisition and
6 therefore payment from the City of Henderson, and so are considered "non-reimbursable" costs.

7 Changes to the LIDs or the acquisition agreements with the City of Henderson require the
8 approval of the City of Henderson and possibly others. Any proposed modifications to the LIDs also
9 require the approval of an outside engineering firm retained by the City of Henderson as the district
10 engineer, which confirms that the improvements acquired and amounts paid by the City of
11 Henderson for improvements are in conformance with the LID documents.

12 The T-16 LID was approved in April 2005. Landowners whose property lies within the
13 boundaries of the T-16 LID, including the Debtors, have been paying assessments with respect to the
14 T-16 LID ever since. Currently, approximately \$29,400,000 is available to acquire certain
15 improvement projects from the developer. An additional \$4,800,000 of accrued interest is available
16 for project acquisition. To date, the Debtors have spent nearly \$16,000,000 in the aggregate on T-16
17 LID-related "reimbursable" and "non-reimbursable" costs, but have been paid only approximately
18 \$2,800,000. The Debtors currently owe approximately \$6,800,000 in accounts payable to vendors
19 who performed work on LID projects considered "reimbursable," and approximately an additional
20 \$1,100,000 for "non-reimbursable" work.

21 As a number of the contractors who performed work on the LID projects that have not been
22 paid have asserted mechanics' liens against property to be conveyed to the City of Henderson, the
23 Debtors cannot obtain further payment from the City of Henderson under the T-16 LID until all
24 asserted mechanics' liens against the to-be-conveyed property are resolved and the improvement
25 projects are completed. Further complicating matters, as discussed above and below, LID
26 Acquisition asserts a senior secured interest in the T-16 LID Payment Rights.

27 The Debtors have expended a significant amount of effort, in consultation and collaboration
28 with the Creditors' Committee, Alvarez & Marsal North America, LLC (the Debtors' financial

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

1 advisor), certain of their vendors qualified to perform the work under the terms of the T-16 LID and
2 others, in calculating the cost to complete the T-16 LID improvement projects. The Debtors have
3 also made certain assumptions regarding the construction of the remaining portions of the T-16 LID
4 to increase the efficiency of the projects within the T-16 LID. The Debtors have concluded that,
5 after taking into account a wide number of contingencies, including several proposed modifications
6 to the list of projects to be acquired, the cost to complete the T-16 LID will be in excess of
7 \$33,000,000, excluding any expenses to administer the T-16 LID and direct the work. In short, the
8 cash required to complete all of the remaining T-16 LID improvement projects under the Plan, are
9 well in excess of the monies available for payment to T-16 LID Vendors.

10 Pursuant to the Plan, the T-16 LID Trust (discussed in Section IX.D.5) will be established to
11 perform work on the T-16 LID and to provide payments to holders of T-16 LID Payment Claims.

12 **12. Phase II Issues.**

13 There are a number of places in Phase II of the Project (including the land on which the P-40
14 pump station is located) where the current lot lines do not reflect the parties' expectations or
15 intentions. Pursuant to the Plan, the various affected Phase II Landowners are expected to enter into
16 the Phase II Landowner Settlement Agreement, which will provide, *inter alia*, for the re-mapping of
17 Phase II, the reformation of deeds, and the creation of new parcels from larger ones and the
18 conveyance of the newly-created smaller parcels among the Phase II Landowners.

19 **13. Unexpired Leases and Executory Contracts.**

20 As of the Petition Date, the Debtors were parties to certain unexpired leases and executory
21 contracts. The Debtors' businesses involve numerous contracts, real property leases, and personal
22 property leases. Throughout these Cases, the Debtors have been analyzing their unexpired leases
23 and executory contracts to determine whether to assume or reject those agreements pursuant to
24 Bankruptcy Code section 365. Where, in their business judgment, appropriate, the Debtors have
25 requested the approval of the Bankruptcy Court to reject certain of these agreements.

26 **a. The Intrawest Lease Agreements.**

27 Early in these Cases, the Debtors moved for, and obtained, approval from the Bankruptcy
28 Court to reject the following agreements:

- 1 • The Lease Agreement dated on or about June 1, 2007, between LLV Properties, as
2 tenant, and Intrust/Lake Las Vegas Development Corporation ("Intrust"), as
3 landlord, predecessor in interest to the current landlord, Signal Butte Investors, LLC
4 ("Signal Butte"), with respect to Commercial Space No. C-5 in Condominium
5 Unit C-3 of the Viera Condominiums located at the MonteLago Village development.
6
- 7 • The Lease Agreement dated on or about August 27, 2002, between NorthShore, as
8 tenant, and Intrust, as landlord, predecessor in interest to the current landlord,
9 Signal Butte, with respect to Suite No. N-2 in the Noble Housing buildings located at
10 the MonteLago Village development; and
- 11 • The Lease Agreement dated on or about April 16, 2003 between P-3, as tenant, and
12 Intrust, as landlord, predecessor in interest to the current landlord, Signal Butte,
13 with respect to Suite No. P-3 in the Pallazzo building located at the MonteLago
14 Village development.

15 **b. The Golf Course Agreements.**

16 In conjunction with Vineyard's abandonment of The Falls, Vineyard rejected approximately
17 two dozen agreements, including golf play agreements, independent contractor agreements, a
18 supplier agreement, a merchant agreement, an advertising agreement, a master lease, a sales
19 agreement, a network agreement, a service contract, and a tournament-related host site agreement.
20 Similarly, in conjunction with the foreclosure of Reflection Bay, the Debtors rejected the executory
21 contracts relating to Reflection Bay. Finally, given the impending foreclosure of SouthShore Golf
22 Club, SouthShore intends to reject certain of the executory contracts relating to that golf course.

23 **c. Other Leases and Executory Contracts.**

24 The Debtors will assume or reject their remaining executory contracts and unexpired leases
25 either prior to confirmation of the Plan by way of motion, or under the Plan pursuant to the Schedule
26 of Assumed Agreements and Schedule of Rejected Agreements.

27 **14. Claims Filed By Creditors.**

28 **a. The Schedules and the Bar Dates.**

On August 1, 2008, August 15, 2008 and August 20, 2008, as applicable, the Debtors Filed
their Schedules of Assets and Liabilities (as amended, the "Schedules") and Statements of Financial
Affairs. Pursuant to the Schedules, the Debtors estimated that the total amounts of the Secured
Claims, Priority Claims, and non-priority General Unsecured Claims with respect to each Debtor as
of the Petition Date were approximately as follows:

Debtor	Secured Claims	Priority Claims	General Unsecured Claims	Total Claims
LLVJV	\$719,477,613	\$9,087	\$8,910,803	\$728,397,502
LLV-1	\$720,449,174	\$-0-	\$3,137,986	\$723,587,160
LLV Holdco	\$676,424,126	\$-0-	\$582,938	\$677,007,064
LLV Properties	\$675,424,126	\$-0-	\$1,253,573	\$676,677,699
LLV Four Corners	\$-0-	\$-0-	\$675,424,126	\$675,424,126
NorthShore	\$675,429,778	\$-0-	\$613,674	\$676,043,452
P-3	\$675,424,126	\$-0-	\$98,705	\$675,522,831
GC at LLV	\$675,424,126	\$754,275	\$6,168,578	\$682,346,978
Marina	\$675,424,126	\$-0-	\$-0-	\$675,424,126
Vineyard	\$21,856,031	\$-0-	\$675,953,490	\$697,809,521
LLV VHI	\$675,424,126	\$-0-	\$-0-	\$675,424,126
TCH	\$675,424,126	\$-0-	\$43,320	\$675,467,446
TC Technologies	\$675,424,126	\$-0-	\$-0-	\$675,424,126
SouthShore	\$683,508,506	\$-0-	\$136,826	\$683,645,332
Neva	\$675,424,126	\$-0-	\$-0-	\$675,424,126

The Debtors are co-liable on certain Claims. For example, the Debtors scheduled the Pre-Petition Agent and the Pre-Petition Lender Group as holding a Secured and/or General Unsecured Claim in the amount of \$675,424,126 against each of the Estates. Consequently, the total amount of Claims against each of the Estates appears larger than the Debtors' combined liabilities when the Debtors are considered as a whole. It should also be noted that the Debtors have scheduled a number of Claims in an unliquidated amount.

The Court established November 20, 2008 as the general bar date for filing proofs of Claim by non-governmental units, and January 13, 2009 as the bar date for filing proofs of Claim by governmental units. Approximately 240 proofs of Claim have been filed. The proofs of Claim filed to date assert Secured Claims, Priority Claims, non-priority General Unsecured Claims, and Administrative Claims (inclusive of tardily filed Claims, but exclusive of Claims that have been subsequently withdrawn or waived) in the following approximate amounts:

Debtor	Secured Claims	Administrative Claims	Priority Claims	General Unsecured Claims	Total Claims
LLVJV	\$784,393,158	\$6,955	\$150,489	\$173,661,521	\$958,212,122
LLV-1	\$748,066,814	—	\$23,878	\$194,810,295	\$942,900,987
LLV Holdco	670,000,000	—	—	—	\$670,000,000
LLV Properties	\$670,000,200	—	\$2,035	\$92,404	670,094,639
LLV Four Corners	—	—	—	—	—
NorthShore	\$670,000,000	—	—	\$50,404	\$670,050,404
P-3	\$670,000,000	—	\$3,548	\$197,426	\$670,200,974
GC at LLV	\$670,005,652	—	—	\$1,185	\$670,006,837
Marina	\$670,000,000	—	—	—	\$670,000,000
Vineyard	\$29,592,311	—	\$1,038	\$670,022,559	\$699,615,908
LLV VHI	\$670,000,000	—	—	—	\$670,000,000
TCH	\$670,000,000	—	—	—	\$670,000,000
TC Technologies	\$670,000,000	—	—	—	\$670,000,000
SouthShore	\$682,400,000	—	—	\$58,587	\$682,458,587
Neva	\$670,000,000	—	—	—	\$670,000,000

Once again, the Debtors are co-liable on certain Claims. Consequently, the total amount of Claims against each of the Estates appears larger than the Debtors' combined liabilities when the Debtors are considered as a whole. It should also be noted that a number of proofs of Claim have been filed asserting Claims in an unliquidated amount. In addition, a number creditors and their affiliates have filed duplicable Claims. Finally, as no bar date for the filing of Administrative Claims has yet been set, the amount of Administrative Claims will be larger.

The Debtors have commenced an evaluation of the proofs of Claim filed in the Cases. A preliminary review indicates that a substantial amount of the Claims asserted are objectionable as filed (both in terms of amount and priority in right to distribution from the Estates) and ultimately should be disallowed, subordinated or recharacterized as non-priority General Unsecured Claims or as Interests. As the Debtors' analysis of these Claims has not been completed, however, the extent to which the proofs of Claim filed against the Estates assert Claims in excess of the amounts set forth in the Schedules, and the extent to which there may be allowable Claims not reflected in the Schedules, is not yet clear. Notwithstanding the foregoing, the Debtors' preliminary estimate is that, on a

1 consolidated basis and without regard to the unliquidated portions of proofs of claim that have been
2 filed to date, Allowed Secured Claims are expected to total about \$787,000,000 (exclusive of post-
3 petition financing and the Claims of Phase II Landowners and T-16 LID Vendors and determined
4 without regard to the value of the underlying collateral), Allowed Administrative Claims (including
5 Professional Fee Claims, U.S. Trustee Fees, and Cure Payments, but not including Ordinary Course
6 Administrative Claims) due on the Effective Date are expected to total about \$2,500,000 (assuming,
7 for these purposes, that the Effective Date occurs on December 31, 2009), Allowed Priority Claims
8 (including Priority Tax Claims) are expected to total about \$800,000, and General Unsecured Claims
9 are expected to total about \$22,000,000 (without regard to the Claims of Phase II Landowners and
10 T-16 LID Vendors or any unsecured deficiency Claim of the Pre-Petition Lender Group or other
11 undersecured creditors). In addition, the "reimbursable" and "non-reimbursable" Claims of the T-16
12 LID Vendors total approximately \$6,700,000 and \$1,100,000, respectively. The T-16 LID Vendors
13 have asserted mechanics' liens on the property of the Debtors and others within the Project in the
14 total approximate amount of \$7,000,000 with respect to such goods and services. Finally, the Phase
15 II Landowners have asserted Claims that cumulatively total approximately \$210,500,000. The
16 actual amount of the foregoing Claims may be significantly higher or lower than this estimate, based
17 on the results of reconciliation, negotiation and litigation.

18 **THE DEBTORS, THE REORGANIZED DEBTORS AND THE CREDITOR TRUST**
19 **RESERVE ANY AND ALL RIGHTS, EXCEPT AS EXPRESSLY STATED IN THE PLAN, TO**
20 **OBJECT TO, DEFEND AGAINST, AND REQUEST DISALLOWANCE, REDUCTION,**
21 **SUBORDINATION AND/OR RECHARACTERIZATION OF ANY CLAIM OR INTEREST**
22 **ASSERTED AGAINST, OR IN, THE DEBTORS OR THEIR RESPECTIVE ESTATES. THE**
23 **DEBTORS ANTICIPATE THAT SOME OBJECTIONS TO CLAIMS AND INTERESTS WILL**
24 **BE FILED AFTER CONFIRMATION OF THE PLAN.**

25 **b. Objections to Claims.**

26 Section IV.H of the Plan provides that objections to Claims (other than Administrative
27 Claims, which are governed by Section II.B of the Plan) shall be Filed and served upon the holders
28 of the affected Claims no later than the date that is the later of (a) six (6) months after the Effective

1 Date, unless extended by the Court, and (b) six (6) months after the date on which the affected proof
2 of Claim has been filed, unless extended by the Court. The Creditor Trust shall have exclusive
3 authority to File, settle, compromise, withdraw or litigate to judgment objections to General
4 Unsecured Claims and Phase II Landowner Claims.

5 Except as to Claims allowed under the Plan, holders of Claims should assume that the
6 Reorganized Debtors and the Creditor Trust, as applicable, may File an objection to any proof of
7 Claim that differs in amount or priority from the amount or priority of such holder's Claim as listed
8 in the Schedules, or if such holder's Claim is listed in the Schedules as disputed, contingent, or
9 unliquidated. **Therefore, in voting to accept or reject the Plan, no creditor of the Debtors may
10 rely on the absence of an objection to its proof of Claim as any indication that the Reorganized
11 Debtors or the Creditor Trust, as applicable, ultimately will not object to the amount, priority,
12 secured status, or allowability of its Claim. Moreover, the Debtors, the Reorganized Debtors
13 and the Creditor Trust reserve their rights with respect to all objections to Claims, and all
14 counterclaims they may have with respect to Claims asserted against the Debtors or the
15 Reorganized Debtors, and, except as specifically set forth in the Plan, further reserve their
16 rights to prosecute claims of the Debtors and their Estates (including rights to affirmative
17 recoveries, rights to subordinate Claims, setoff rights, as well as other rights).**

18 **15. Litigation.**

19 **a. Pre-Petition Litigation.**

20 As of the Petition Date, the Debtors were party to litigation pending in non-bankruptcy forums.
21 A summary of that litigation is set forth on Exhibit 5a to the Disclosure Statement. The litigation in
22 which the Debtors are defendants was stayed by Bankruptcy Code section 362(a). If the Plan is
23 confirmed by the Bankruptcy Court, then pursuant to, and in furtherance of, the discharge provisions
24 of section 1141(d) of the Bankruptcy Code and the Plan, the commencement or continuation of
25 litigation against the Debtors based on a Claim against a Debtor, a Debtor's Estate or the property of
26 a Debtor that arose prior to the Confirmation Date will be enjoined from proceeding except in
27 conformity with the discharge provision of section 1141(d) of the Bankruptcy Code and the Plan
28 (or, as applicable, the Bankruptcy Code's claim adjudication process).

1 As for pending litigation in which one or more of the Debtors is a plaintiff, the Debtors are
2 evaluating these actions and determining whether the continued pursuit of any of these actions is in
3 the best interests of the Estates. Pursuant to the Plan, the Debtors and the Reorganized Debtors
4 reserve their rights to continue to prosecute any and all of these actions.

5 **NO PERSON SHOULD VOTE TO ACCEPT OR REJECT THE PLAN IN THE**
6 **EXPECTATION THAT THE REORGANIZED DEBTORS AND/OR THE CREDITOR**
7 **TRUST WILL REFRAIN FROM PURSUING ANY ACTION WHETHER OR NOT THAT**
8 **ACTION WAS COMMENCED PRE-PETITION. EXCEPT AS EXPRESSLY SET FORTH**
9 **IN THE PLAN, THE PLAN RELEASES NONE OF THE DEBTORS', THE ESTATES', THE**
10 **REORGANIZED DEBTORS', OR THE CREDITOR TRUST'S RIGHTS TO COMMENCE**
11 **ANY ACTIONS. INSTEAD, PURSUANT TO SECTIONS IV.F AND IV.G OF THE PLAN,**
12 **ALL OF THE RIGHTS OF THE DEBTORS AND THEIR ESTATES TO PURSUE THESE**
13 **ACTIONS ARE PRESERVED UNDER THE PLAN AND REVESTED IN THE**
14 **REORGANIZED DEBTORS OR THE CREDITOR TRUST, AS APPLICABLE.**

15 **b. Avoidance Actions.**

16 Payments made by the Debtors to non-insiders within 90 days prior to the Petition Date and
17 to insiders within one year prior to the Petition Date may be recoverable under Bankruptcy Code
18 section 547 as preferential transfers if the requirements of section 547 are satisfied. Also, the
19 Debtors may have other potential avoidance actions, including actions to set aside and/or recover
20 fraudulent transfers arising under Bankruptcy Code sections 544 and 548 and applicable state law.
21 As specifically provided in Section IV.G of the Plan, all Avoidance Actions will be preserved by the
22 Reorganized Debtors and transferred to the Creditor Trust. *See* Section IX.D.7 below (discussing
23 the preservation of claims, rights and causes of action of the Debtors and the Estates by the
24 Reorganized Debtors and the Creditor Trust). Exhibit 6a to the Disclosure Statement lists all
25 transfers that the Debtors made to non-insiders within ninety (90) days preceding the Petition Date
26 and Exhibit 6b to the Disclosure Statement lists all transfers that the Debtors made to insiders of
27 within one (1) year preceding the Petition Date.
28

1 By stipulation and order entered on May 1, 2009, TOUSA and LLV-1 and LLVJV agreed
2 that TOUSA would File amended proofs of claim to divide its damages into three categories:
3 (1) damages related to its mechanics' liens, which would be resolved in Adv. Case No. 09-01064-
4 LBR, (2) damages related to its claims (if any) to escrowed funds, which would be resolved in
5 Adv. Case No. 09-01418-LBR, and (3) other damages that were specified in its February 17, 2009
6 initial disclosures, which would be resolved in Adv. Case No. 09-01064-LBR. As of the date hereof,
7 no trial has been set any of these adversary proceedings. Settlement discussions are ongoing.

8 **d. The Pardee Litigation.**

9 On January 12, 2009, Pardee Homes of Nevada ("Pardee") Filed a complaint in the
10 Bankruptcy Court against LLVJV, Credit Suisse, Cayman Islands Branch, Las Vegas Paving
11 Corporation and Peridian International, asserting claims for declaratory judgment, specific
12 performance, and imposition of a constructive trust as to two parcels that are the subject of purchase
13 agreements between LLVJV and Pardee. Pardee's complaint initiated an adversary proceeding, Adv.
14 Case No. 09-01017-LBR in the Bankruptcy Court. LLVJV and Credit Suisse, Cayman Islands
15 Branch have each Filed motions to dismiss Pardee's complaint, which are currently pending. As a
16 result of negotiations, Pardee and LLVJV have agreed that LLVJV will transfer the two parcels that
17 are the subject of the purchase agreements, and Pardee will take the property subject to certain
18 mechanics' liens currently encumbering the property.

19 **e. The LID Acquisition Litigation.**

20 The Debtors funded certain infrastructure projects at the Project through Local Improvement
21 District financing (the "LID Financing"), a form of public finance for the construction of
22 improvement projects within a defined area by levying special assessments upon the property
23 owners within the boundaries of the particular LID, who would benefit from the improvements. The
24 City of Henderson established at least three LIDs at the Project, known as the T-1 LID, the T-12 LID
25 and the T-16 LID, and sold bonds to finance improvements within each separate LID. The proceeds
26 from the sale of the bonds (the "LID Funds") were deposited into designated and segregated LID
27 accounts controlled by the City of Henderson. The funds in each account are designated for making
28 payments to the Debtors upon the Debtors constructing and conveying specific improvements to the

1 City of Henderson. As of July 31, 2009, approximately \$7,700,000 and \$34,200,000, respectively,
2 remained in one or more designated and segregated LID accounts for the T-12 LID and T-16 LID
3 projects, respectively.

4 Pursuant to the LID Financing, the City of Henderson and the Debtors entered into
5 acquisition agreements for the City of Henderson's purchase of the improvements upon completion.
6 As set forth in those acquisition agreements, the LID Funds will be available to the Debtors only
7 upon completion of the improvement projects to a specific set of standards, and only if such projects
8 are conveyed to the City of Henderson free and clear of any encumbrances, including mechanics'
9 liens. Many of the improvements that the City of Henderson has agreed to purchase under the
10 acquisition agreements are presently only partially completed and/or are subject to mechanics' liens.

11 LID Acquisition asserts a first-priority security interest in the LID Funds. The Debtors and
12 others contend that LID Acquisition's security interests, if any, in the acquisition agreements and/or
13 the LID Funds (i) are invalid by reason of 11 U.S.C. § 552(a), and/or (ii) must be reduced by all
14 costs to complete the improvement projects by reason of 11 U.S.C. § 552(b), and/or (iii) are subject
15 to surcharge by reason of 11 U.S.C. § 506(c), and/or (iv) are limited to the value that such interests
16 had on the Petition Date pursuant to 11 U.S.C. § 506(a), and/or (v) are junior to the security interests
17 in such assets held by the Pre-Petition Agent and the Pre-Petition Lender Group. Legal clarity
18 regarding the validity and extent of LID Acquisition's security interest in the T-16 LID Payment
19 Rights is necessary to determine the ultimate resolution of the Debtors' LID improvement projects.
20 In particular, whether the X-West, the X-East and the Remainder Segments of the T-16 LID are
21 completed will have a material impact on the recovery available for T-16 LID Vendors that have
22 provided goods and services with respect to the T-16 LID. Due to uncertainty regarding the validity
23 and priority of the security interests on the T-16 LID Payment Rights, the Debtors have been unable
24 to complete the LID improvement projects or resolve the mechanics' liens on the improvements, and
25 thereby obtain access to the LID Funds.

26 On or about January 26, 2009, LLVJV, LLV-1 and the Creditors' Committee, as co-plaintiffs,
27 jointly Filed a complaint in the Bankruptcy Court against LID Acquisition to determine the validity
28 and priority of LID Acquisition's security interest in the T-16 LID Payment Rights. The Bankruptcy

1 Court approved a stipulation permitting the Creditors' Committee to jointly prosecute claims against
2 LID Acquisition. The Complaint seeks declaratory relief as to each of the plaintiffs' contentions set
3 forth in the preceding paragraph. Although LID Acquisition Filed a motion to dismiss the complaint
4 on February 27, 2009, on April 27, 2009, LID Acquisition agreed to withdraw its motion to dismiss
5 and file an answer. No trial date has been set in this adversary proceeding.

6 **f. Litigation Against Credit Suisse.**

7 On July 27, 2009, the Creditors' Committee commenced an adversary proceeding in the
8 Bankruptcy Court against Credit Suisse, asserting claims for, among other things, equitable
9 subordination and fraudulent conveyance. The case number for this adversary proceeding is
10 Adv. Case No. 09-01198-LBR. The settlement embodied in the Plan resolves this litigation.

11 **g. Retention of Claims, Causes of Action and Other Rights.**

12 Except where expressly released or except as otherwise provided in the Plan, pursuant to
13 Bankruptcy Code section 1123(b), the Reorganized Debtors, the Creditor Trust, and the T-16 LID
14 Trust, as applicable, shall be vested with and retain and may enforce any claims, rights, and causes
15 of action that the Debtors or the Estates may hold or have against any person or entity, all of which
16 are hereby preserved, including rights of disallowance, offset, recharacterization and/or equitable
17 subordination with respect to Claims, and causes of action that have been or may be brought by or
18 on behalf of the Debtors, the Estates, the Creditors' Committee, the Creditor Trust, or the T-16 LID
19 Trust. A summary of retained Claims, causes of action and other rights shall be Filed by the First
20 Exhibit Filing Date and, upon its Filing, shall become Exhibit 5b to the Disclosure Statement.

21 **16. Professionals Retained by the Estate.**

22 During the Cases, the Debtors and Creditors' Committee have retained numerous
23 professionals to assist them during the pendency of the Cases. The Court has specifically approved
24 the employment of each of the following professionals in the following capacities:

- 25 • Klee, Tuchin, Bogdanoff & Stern LLP as the Debtors' reorganization counsel;
- 26 • Schwartzer & McPherson Law Firm as the Debtors' local bankruptcy counsel;
- 27 • Kurtzman Carson Consultants LLC as the Debtors' claims and noticing agent;
- 28 • Gibson, Dunn & Crutcher LLP as the Debtors' special corporate counsel;

- 1 • Santoro Driggs Walch Kearney Holley & Thompson as the Debtors' special litigation,
2 water rights, environmental, transactional and intellectual property counsel;
- 3 • Hewitt & O'Neil LLP as the Debtors' special bond counsel;
- 4 • Mariposa Real Estate Advisors, LLC as the Debtors' real estate and financial
5 consultant;
- 6 • Alvarez & Marsal North America, LLC as the Debtors' financial advisor;
- 7 • Munger, Tolles & Olson LLP as counsel to the Creditors' Committee;⁶
- 8 • Milbank Tweed Hadley McCloy LLP as special counsel to the Creditors' Committee;
- 9 and
- 10 • McDonald Carano Wilson LLP as counsel to the Creditors' Committee.

11 The Court has approved interim fee procedures for professionals seeking compensation from
12 the Estates. Generally, subject to the Debtors' cash availability and absent a timely objection, such
13 professionals are eligible to receive payment of 85% of their monthly fees and 100% of their
14 monthly costs upon passage, without objection, of an objection period following submission and
15 service of a monthly fee statement. Such professionals have the opportunity to request and obtain
16 any "hold back" amounts (*i.e.*, any fees or expenses not paid pursuant to the foregoing procedures or
17 otherwise) upon the filing, and Bankruptcy Court approval of, interim and final fee applications.
18 Interim fee applications are Filed for the approval of fees and expenses for the preceding
19 approximately four-month period; final fee applications are Filed at the end of a professional's
20 representation of the Debtors for the approval of fees and expenses incurred during the entirety of
21 the representation. Pursuant to the requirements of the Bankruptcy Court, professionals in these
22 Cases employed at the expense of the Estates have prepared, and will continue to prepare, separate
23 monthly fee statements and fee applications with respect to services rendered by such professionals
24 to SouthShore.

27 ⁶ During the pendency of the Cases, the principal attorney at Munger, Tolles & Olson LLP ("MTO-")
28 responsible for representing the Creditors' Committee left MTO to join Milbank Tweed Hadley McCloy
LLP ("Milbank"). Consequently, Milbank and not MTO now represents the Creditors' Committee.

1 The Court has also approved a separate procedure authorizing the Debtors to employ and
2 compensate certain professionals, such as accountants and real estate brokers, utilized by the Debtors
3 in the ordinary course of their business (the "Ordinary-Course Professionals"). The Debtors are
4 permitted to pay, without formal application to the Court, 100% of the post-petition interim fees and
5 expenses of an Ordinary-Course Professional upon such professional's submission of an invoice to
6 the Debtors, but only to the extent the aggregate post-petition payments to each Ordinary-Course
7 Professional: (1) do not exceed \$100,000 for those Ordinary-Course Professionals that provide tax-
8 related advice and services to the Debtors, or (2) \$75,000 for all other Ordinary-Course
9 Professionals. The Debtors are permitted to pay amounts in excess of these caps only if the Court
10 orders otherwise, or upon notice and an opportunity to object. In addition, following the
11 confirmation of the Plan, the Ordinary-Course Professionals must File final fee applications.

12 **17. The Debtors' Post-Confirmation Business Plan.**

13 After the Plan becomes effective, the Reorganized Debtors will continue their land sales
14 activities, with a focus on selling the available land in Phases I and II of the Project. The Debtors'
15 Phase I and Phase II holdings include 92 acres of land, not including a 50% ownership interest in
16 approximately 22 acres of commercial land (Four Corners). Much of the Phase I residential
17 properties have prime lakefront locations. In the aggregate, these holdings are expected to be sold
18 during the next 2 years at an average price per acre of \$215,000.

19 Finally, the Debtors have developed a new business plan for Phase III of the Project. That
20 new business plan envisions a predominantly residential community that provides for a variety of
21 housing types targeted to primary, full-time homeowners. Previously, the Debtors' business plan
22 envisioned a second-home, high-end residential community surrounding a contemplated a fourth
23 golf course with homes at price points generally exceeding \$1,000,000. The revised plan does not
24 contemplate an additional golf course, but instead provides for a network of trails, bike paths and
25 open spaces for community residents. The revised plan is intended to accommodate families and
26 other residents that seek a resort-like, active lifestyle with immediate access to an array of
27 recreational amenities (Lake, Golf Courses, parks and trail systems) as compared and contrasted to
28 other master-planned communities in Las Vegas that lack the Project's amenities. Based on the

1 revised plan for Phase III, the anticipated price points for homes are also expected to be considerably
2 less than the over-\$600,000 historical average at the Project.

3 Pursuant to the Debtors' overall post-confirmation business plan, the Debtors intend to
4 provide certain funding to the MPOA, maintain the Lake, sell their property in Phase I and Phase II,
5 and otherwise continue their businesses in a 24-month hold position. The Debtors have assumed that
6 neither the Reorganized Debtors nor other third parties will develop any land within the Project over
7 the near term. Pursuant to the Phase II Landowner Settlement Agreement, the Reorganized Debtors
8 agree not to begin work on Phase III of the Project for which a building permit or grading permit is
9 required under applicable law prior to December 31, 2011. The Debtors anticipate, however, that in
10 approximately 2 years the residential market will stabilize and return to normal. By that juncture,
11 the debt markets should reopen to the Reorganized Debtors, it may again become economical to
12 recommence development, and a sale of the Debtors' businesses to a third-party buyer may become
13 possible. As set forth on the post-confirmation budget attached hereto as Exhibit 7, the Reorganized
14 Debtors will fund their post-confirmation business operations out of proceeds of the Exit Operating
15 Facility, proceeds from land sales, and the remaining availability under the DIP Facility.

16 IX.

17 SUMMARY OF MATERIAL PLAN PROVISIONS

18 The following is a narrative description of certain provisions of the Plan. The Plan is
19 attached hereto as Exhibit 1. The following summary of the Plan is qualified in its entirety by the
20 actual terms of the Plan. In the event of any conflict, the terms of the Plan will control over any
21 summary set forth in this Disclosure Statement.

22 A. **Factors Affecting the Nature and Extent of Certain Distributions.**

23 The Debtors intend to satisfy their obligations to creditors under the Plan from cash on hand,
24 the lease or sale of assets, revenues, and the proceeds of the Exit Operating Facility, or a
25 combination of the foregoing. Implementation of the Exit Operating Facility is a condition under the
26 Plan to the Plan becoming effective.

27 The nature and amount of distributions under the Plan nevertheless will depend upon at least
28 three variables: (1) the outcome of objections to Claims, (2) the recovery realized, if any, on the

1 Avoidance Actions, Insider Actions, and other preserved causes of action, and (3) the magnitude of
2 Administrative and Priority Claims. As noted, the Debtors have engaged in only a preliminary
3 analysis of claims. Under the Plan, the Creditor Trust will be charged with objecting to General
4 Unsecured Claims and Phase II Landowner Claims. The outcome of those objections will affect
5 (perhaps materially so) the distribution to holders of Allowed General Unsecured Claims.

6 **B. Classification and Treatment of Claims Under the Plan.**

7 The Bankruptcy Code requires that a plan divide the different claims against, and equity
8 interests in, the debtor into separate classes based upon their legal nature. Claims of a substantially
9 similar legal nature are usually classified together, as are equity interests of a substantially similar
10 legal nature. The Bankruptcy Code does not require the classification of administrative claims and
11 certain priority claims, and they are typically denominated "unclassified claims."

12 The Debtors believe that the classification of Classes specified in the Plan is appropriate and
13 consistent with the requirements of the Bankruptcy Code. The Court will determine the
14 appropriateness of the classification of the Classes under the Plan in conjunction with the hearing on
15 confirmation of the Plan.

16 Under Bankruptcy Code section 1124, a class of claims or interests is "impaired" unless the
17 plan leaves unaltered the legal, equitable, and contractual rights of the holders of claims or interests,
18 as applicable, in the class. In addition, a class of claims is "impaired" unless the plan cures all
19 defaults (other than those arising from the debtor's insolvency, the commencement of the case, or
20 non-performance of a non-monetary obligation, which need not be cured) that occurred before or
21 after the commencement of the case, reinstates the maturity of the claims in the class, compensates
22 the claimants for their actual damages incurred as a result of their reasonable reliance on any
23 acceleration rights, and does not otherwise alter their legal, equitable, and contractual rights. Except
24 for any right to accelerate the debtor's obligations, the holder of an unimpaired claim will be placed
25 in the position in which it would have been, *inter alia*, if the debtor's case had not been commenced.

26 A plan must designate each separate class of claims and interests either as "impaired"
27 (affected by the plan) or "unimpaired" (unaffected by the plan). If a class of claims or interests is
28 "impaired," under the Bankruptcy Code, the holders of claims or interests, as applicable, in that class

1 are entitled (i) to vote to accept or reject the plan (unless the plan provides for no distribution to the
2 class, in which case the class is deemed to reject the plan), and (ii) to receive property with a value at
3 least equal to the value that the claimant would receive if the debtor were liquidated under chapter 7
4 of the Bankruptcy Code. If a class of claims is unimpaired, the holders of claims in that class are
5 deemed to accept the plan.

6 The following describes specifically how Claims and Interests are classified under the Plan,
7 whether the holders thereof are entitled to vote, and the treatment accorded such claims and interests
8 under the Plan.

9 **1. Unclassified Claims.**

10 Certain types of Claims are not placed into voting classes; instead, they are unclassified. They
11 are not considered impaired, and they do not vote to accept or reject a plan of reorganization because
12 they are automatically entitled to specific treatment provided for them in the Bankruptcy Code.
13 Therefore, the Debtors have not placed the following categories of Claims into a Class.

14 **a. Administrative Claims.**

15 **(1) Allowance of Administrative Claims.**

16 Administrative Claims are Claims under Bankruptcy Code section 503(b). The Bankruptcy
17 Code requires that all Administrative Claims be paid on the date that a plan of reorganization becomes
18 effective, unless a particular claimant agrees to a different treatment.

19 **Allowance of Ordinary Course Administrative Claims:** An entity holding an Ordinary
20 Course Administrative Claim may, but need not, File a motion or request for payment of its Claim.
21 The Reorganized Debtors or any other party in interest may File an objection to an Ordinary Course
22 Administrative Claim in their discretion. Unless a party in interest objects to an Ordinary Course
23 Administrative Claim, such Claim will be an Allowed Claim in accordance with the terms and
24 conditions of the particular transaction that gave rise to the Claim.

25 **Allowance of Professional Fee Claims:** Unless otherwise expressly provided in the Plan, a
26 Professional Fee Claim will be an Allowed Claim only if, and to the extent that:

27 (i) On or before sixty (60) days after the Effective Date, the entity holding such
28 Professional Fee Claim both Files with the Court a final fee application or a motion requesting

1 allowance of the fees and serves the application or motion on the Reorganized Debtors and the U.S.
2 Trustee; and

3 (ii) The Court determines it is an Allowed Claim.

4 The Reorganized Debtors or any other party in interest may File an objection to such application
5 or motion by no later than thirty (30) days after the Filing and service of such application or motion.
6 Entities holding Professional Fee Claims that do not timely File and serve a fee application or motion for
7 allowance of a Professional Fee Claim will be forever barred from asserting those Claims against the
8 Debtors, the Reorganized Debtors, the Estates, or their respective property.

9 **Allowance of Cure Payments:** Cure Payments shall be allowed in accordance with the
10 procedures set forth in Section III.A.2 of the Plan.

11 **Allowance of Non-Ordinary Course Administrative Claims:** Unless otherwise expressly
12 provided in the Plan, Non-Ordinary Course Administrative Claims will be Allowed Claims only if:

13 (i) On or before sixty (60) days after the Effective Date, the entity holding such Non-
14 Ordinary Course Administrative Claim both Files with the Court a motion requesting allowance of
15 the Non-Ordinary Course Administrative Claim and serves the motion on the Reorganized Debtors
16 and the U.S. Trustee; and

17 (ii) The Court determines it is an Allowed Claim.

18 The Reorganized Debtors or any other party in interest may File an objection to such motion
19 within thirty (30) days after the expiration of the deadline for the Filing of a Non-Ordinary Course
20 Administrative Claim set forth in subparagraph (i), above (*i.e.*, within ninety (90) days after the
21 Effective Date), unless such time period for Filing such objection is extended by the Court. Entities
22 holding Non-Ordinary Course Administrative Claims that do not timely File and serve a request for
23 payment will be forever barred from asserting those Claims against the Debtors, the Reorganized
24 Debtors, the Estates, or their respective property.

25 **(2) Treatment of Administrative Claims.**

26 **Treatment of Allowed Ordinary Course Administrative Claims:** Unless otherwise
27 agreed, Allowed Ordinary Course Administrative Claims will be paid by the Reorganized Debtors in
28 accordance with the terms and conditions of the particular transaction that gave rise to the Claim.

1 **Treatment of Professional Fee Claims:** Unless otherwise agreed, an Allowed Professional
2 Fee Claim will be paid by the Reorganized Debtors within ten (10) days after the date on which the
3 Court determines such Claim is an Allowed Claim.

4 **Treatment of Cure Payments:** Cure Payments will be made to the non-Debtor parties to
5 the executory contracts or unexpired leases in accordance with Section III.A.2 of the Plan.

6 **Treatment of U.S. Trustee Fees Under 28 U.S.C. § 1930:** The Reorganized Debtors will
7 pay to the U.S. Trustee all fees due and owing under 28 U.S.C. § 1930 in cash on the Effective Date.

8 **Treatment of Non-Ordinary Course Administrative Claims:** Unless the entity holding a
9 Non-Ordinary Course Administrative Claim allowed by the Court agrees to different treatment, the
10 Reorganized Debtors will pay to that entity cash in the full amount of such Allowed Non-Ordinary
11 Course Administrative Claim, without interest, on the later of: (i) ten (10) days after the Effective Date,
12 or (ii) ten (10) days after the date on which the Court determines such Claim is an Allowed Claim.

13 **Treatment of Claims Under the DIP Facility:** The DIP Lenders will receive, on the
14 Effective Date, in full and final satisfaction of their Claims under the DIP Facility, (i) their Pro Rata
15 share of 99% of the New Membership Interests in Reorganized LLV Holdco, (ii) 100% of the New
16 Membership Interests in Reorganized LLVJV and Reorganized LLV-1, which Interests shall be
17 contributed by them to Reorganized LLV Holdco, (iii) 100% of the New Membership Interests in
18 Reorganized Vineyard, which shall be contributed by them to Reorganized LLVJV, and (iv) 100%
19 of the New Membership Interests in Reorganized LLV Four Corners, which shall be contributed by
20 them to Reorganized LLVJV and Reorganized LLV-1 such that Reorganized LLVJV receives
21 27.32% of such New Membership Interests and Reorganized LLV-1 receives 72.68% of such New
22 Membership Interests. The remaining proceeds of the DIP Facility that have not been expended by
23 the Effective Date shall be vested in the Reorganized Debtors, and the DIP Lenders shall have no
24 claim or recourse to such unexpended remaining proceeds.

25 **b. Priority Tax Claims.**

26 Unless otherwise agreed, the Reorganized Debtors will pay to an entity holding an Allowed
27 Priority Tax Claim cash in the full amount of the Allowed Priority Tax Claim, plus interest calculated
28 at the federal judgment rate, in equal, amortized, annual installments beginning on the first anniversary

1 of the Petition Date that falls on a date following the occurrence of the Effective Date and, thereafter,
2 on each anniversary of the Petition Date through the fifth anniversary of the Petition Date.

3 **2. Classified Claims.**

4 Claims, other than Administrative Claims and Priority Tax Claims, are classified under the
5 Plan. Secured Claims are Claims that are secured by valid, enforceable and unavoidable liens
6 against property in which an Estate has an interest or that are subject to setoff under Bankruptcy
7 Code section 553. A Claim is a Secured Claim only to the extent of the value of the claimant's
8 interest in the collateral securing the Claim. Priority Claims are Claims arising under Bankruptcy
9 Code sections 507(a)(4), 507(a)(5) and 507(a)(7). Priority Claims are not secured by Estate
10 property, but have statutory priority over General Unsecured Claims. General Unsecured Claims are
11 not secured by liens on Estate property and are not entitled to statutory priority. Finally, Interests are
12 ownership interests (*i.e.*, equity interests) in a Debtor. As the Debtors are all limited liability
13 companies, persons holding membership interests in a Debtor are Interest holders.

14 * * *

15 The following section identifies the Plan's treatment of the classified Claims against each of
16 the Estates. All descriptions set forth in the following section are qualified in their entirety by the
17 specific treatment of each of the classified Claims under the Plan.

18 **a. Pre-Petition Lender Group Claims.**

19 The Plan provides that holders of Pre-Petition Lender Group Claims will receive, in full and
20 final satisfaction of their Claims, their Pro Rata share of (i) 1% of the New Membership Interests in
21 Reorganized LLV Holdco, (ii) the Pre-Petition Lender Group Warrants, and (iii) the Pre-Petition
22 Lender Group Net Litigation Proceeds Share. In addition, each member of Class LLVJV-PPLG and
23 each member of Class LLV-1-PPLG shall be deemed to have made its Pro Rata share of the
24 Pre-Petition Lender Group LID Contribution.

25 **b. Secured Claims.**

26 The Plan generally provides that holders of Allowed Secured Claims in Classes of Secured
27 Claims, including Secured Tax Claims and Other Secured Claims, but excluding Pre-Petition Lender
28 Group Claims, Senior Mechanics' Lien Claims and Phase II Landowner Claims, will receive the

1 Secured Claims Treatment. The Secured Claims Treatment is as follows:

2 The legal, equitable, and contractual rights of the holders of Secured Claims receiving this
3 treatment are unaltered by the Plan. Unless such holder agrees to other treatment, on or as soon as
4 reasonably practicable after the Effective Date, a holder of a Secured Claim receiving this treatment
5 shall receive, at the option of the Debtor against whose Estate such holder holds its Secured Claim:

- 6 (a) cash in the allowed amount of such Secured Claim,
- 7 (b) the return of the collateral securing such Secured Claim, or
- 8 (c) (i) the cure of any default, other than a default of the kind specified in
9 Bankruptcy Code section 365(b)(2) that Bankruptcy Code section 1124(2) requires to
10 be cured, with respect to such Secured Claim, without recognition of any default rate
11 of interest or similar penalty or charge, and upon such cure, no default shall exist;
- 12 (ii) the reinstatement of the maturity of such Secured Claim as the
13 maturity existed before any default, without recognition of any default rate of interest
14 or similar penalty or charge; and
- 15 (iii) its unaltered legal, equitable, and contractual rights with respect to
16 such Secured Claim.

17 Any defenses, counterclaims, rights of offset or recoupment of the Debtors or the Estates
18 with respect to such Secured Claim shall vest in and inure to the benefit of the Reorganized Debtors.

19 On the Effective Date, conditioned upon the receipt of the amount determined by the
20 Bankruptcy Court to be necessary to pay such Secured Claim in full (unless such other treatment is
21 agreed to or provided for as set forth above) such holder of such Secured Claim shall release (and by
22 the Confirmation Order shall be deemed to release) all liens against property of the Estates.

23 Allowed Secured Claims receiving a treatment other than the Secured Claims Treatment
24 include Allowed Class LLVJV-NSB Claims and Allowed Class LLVJV-GMA Claims.

25 **c. Senior Mechanics' Lien Claims.**

26 The Plan provides that holders of Allowed Senior Mechanics' Lien Claims will receive the
27 Senior Mechanics' Lien Claims Treatment. The Senior Mechanics' Lien Claims Treatment is as
28 follows:

1 Unless such holder agrees to other treatment, and subject to such holder's right, if any, to
2 make a T-16 LID Payment Claims Election, on or before the later of: (a) ten (10) days after the
3 Effective Date; and (b) ten (10) days after the date on which such Senior Mechanics' Lien Claim
4 becomes an Allowed Claim, a holder of a Senior Mechanics' Lien Claim shall receive, in the sole
5 discretion of the Reorganized Debtors, either (i) the Secured Claims Treatment, or (ii) a Mechanics'
6 Lien Note. In the event such holder receives a Mechanics' Lien Note, such holder will retain its
7 statutory lien and the Mechanics' Lien Note will be the payment schedule on account of such lien.
8 Furthermore, in the event such holder makes the T-16 LID Payment Claims Election it shall receive
9 the treatment provided for T-16 LID Vendors and not the Senior Mechanics' Lien Claims Treatment.

10 **d. Priority Claims.**

11 The Plan provides that holders of Allowed Priority Claims, excluding Priority Tax Claims,
12 will receive the Priority Claims Treatment. The Priority Claims Treatment is as follows:

13 The legal, equitable, and contractual rights of holders of Priority Claims are unaltered by the
14 Plan. Unless such holder agrees to other treatment, on or as soon as reasonably practicable after the
15 Effective Date, a holder of a Priority Claim shall receive, in full satisfaction of its Priority Claim,
16 cash in the full amount of such Priority Claim on or before the latest of: (a) ten (10) days after the
17 Effective Date; (b) ten (10) days after the date on which such Priority Claim becomes an Allowed
18 Claim; and (c) the date on which such Priority Claim first becomes due and payable in accordance
19 with its terms. To the extent that a Priority Claim is not paid on the Effective Date, if otherwise due
20 and payable in accordance with its terms on or prior to such date, then the Priority Claim will accrue
21 interest at the federal judgment interest rate from the Effective Date through the date of payment of
22 such Priority Claim, which interest shall be paid at the time the Priority Claim is paid.

23 **e. General Unsecured Claims.**

24 Holders of Allowed General Unsecured Claims whose Classes accept the Plan will receive
25 the General Unsecured Claims Treatment. The General Unsecured Claims Treatment is as follows:
26
27
28

1 Unless such holder agrees to other treatment, a holder of a General Unsecured Claim shall
2 receive its Pro Rata share of (i) the \$1,000,000 contributed to the Creditor Trust; and (ii) the General
3 Unsecured Net Litigation Proceeds Share. The Pre-Petition Lender Group and creditors that make
4 the T-16 LID Payment Claims Election or the Phase II Landowner Claims Election will not receive
5 an interest in the \$1,000,000 contribution or the General Unsecured Net Litigation Proceed Share.

6 Holders of Allowed General Unsecured Claims whose Classes reject the Plan will receive the
7 Alternative Claim Treatment. The Alternative Claim Treatment is as follows:

8 Holders of Allowed General Unsecured Claims in such Class will receive their Pro Rata
9 share of (i) the remaining reorganization value, if any, of the Debtor that such General Unsecured
10 Claims are against after the satisfaction of the DIP Facility, Secured Claims, Senior Mechanics' Lien
11 Claims, Administrative Claims, Priority Tax Claims, and Priority Claims against such Debtor. For
12 these purposes, Pro Rata is determined as if the Pre-Petition Lenders' and other Secured Creditors'
13 unsecured deficiency Claims were being asserted. Holders of Allowed General Unsecured Claims
14 will continue to receive their Pro Rata portion of the General Unsecured Net Litigation Proceeds
15 Share. The holders of General Unsecured Claims in a Class rejecting the Plan will **not** receive from
16 the Creditor Trust any portion of the Reorganized Debtors' \$1,000,000 contribution. The Pro Rata
17 portion of the foregoing \$1,000,000 contribution not distributed to holders of Allowed General
18 Unsecured Claims, if any, as a consequence of such creditors receiving the Alternative Claim
19 Treatment shall be returned to the Reorganized Debtors.

20 **f. Opt-In Classes and Elections.**

21 As discussed above, certain creditors may be qualified to elect to have their Claims treated as
22 T-16 LID Payment Claims or Phase II Landowner Claims by making the T-16 LID Payment Claims
23 Election or the Phase II Landowner Claims Election, respectively. For a discussion of the opt-in
24 classes and the foregoing elections, see Section V.B of this Disclosure Statement.

1 **C. Treatment of Executory Contracts and Unexpired Leases.**

2 **1. Assumption of Executory Contracts and Unexpired Leases.**

3 **a. Assumption of Agreements.**

4 On the Effective Date, the Reorganized Debtors shall assume all executory contracts and
5 unexpired leases of the Debtors listed on the Schedule of Assumed Agreements (Exhibit K to the
6 Plan).

7 The Debtors reserve the right to amend the Schedule of Assumed Agreements at any time
8 prior to the Effective Date to: (a) delete any executory contract or unexpired lease and provide for
9 its rejection under the Plan or otherwise, or (b) add any executory contract or unexpired lease and
10 provide for its assumption under the Plan. The Debtors will provide notice of any amendment to the
11 Schedule of Assumed Agreements to the party or parties to any agreement affected by the
12 amendment.

13 The Confirmation Order will constitute a Court order approving the assumption, on the
14 Effective Date, of all executory contracts and unexpired leases identified on the Schedule of
15 Assumed Agreements.

16 **b. Cure Payments.**

17 Any monetary amounts by which each executory contract and unexpired lease to be assumed
18 is in default shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of
19 the default amount (as set forth in the Debtors' books and records), a schedule of which will be
20 included in Exhibit K to the Plan), in cash on or before ten (10) days following the Effective Date, or
21 on such other terms as the parties to each such executory contract or unexpired lease may otherwise
22 agree. In the event of a dispute regarding (a) the amount of any Cure Payments, (b) the ability of the
23 Reorganized Debtors to provide "adequate assurance of future performance" (within the meaning of
24 section 365 of the Bankruptcy Code) under the contract or lease to be assumed, if applicable, or (c)
25 any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the
26 Bankruptcy Code shall be made promptly following the entry of a Final Order resolving the dispute
27 and approving the assumption. Pending the Bankruptcy Court's ruling on such motion, the
28

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

1 executory contract or unexpired lease at issue shall be deemed assumed by the Reorganized Debtors
2 unless otherwise ordered by the Bankruptcy Court.

3 **c. Objections to Assumption.**

4 Any entity who is a party to an executory contract or unexpired lease that will be assumed
5 under the Plan and that objects to such assumption or the amount of the Debtors' proposed Cure
6 Payment must File with the Court and serve upon interested parties a written statement and supporting
7 declaration stating the basis for its objection. This statement and declaration must be Filed and served
8 by no later than ten (10) days prior to the Confirmation Hearing. Any entity that fails to timely File
9 and serve such a statement and declaration will be deemed to waive any and all objections to the
10 proposed assumption of its contract or lease and the amount of the Debtors' proposed Cure Payment.
11 In the absence of a timely objection by an entity who is a party to an executory contract or unexpired
12 lease, the Confirmation Order shall constitute a conclusive determination as to the amount of any cure
13 and compensation due under the executory contract or unexpired lease, and that the Reorganized
14 Debtors have demonstrated adequate assurance of future performance with respect to such executory
15 contract or unexpired lease.

16 **d. Resolution of Claims Relating to Assumed Agreements.**

17 In accordance with the procedures set forth in Section III.A.2 of the Plan relating to the Cure
18 Payments, payment of the Cure Payments with respect to executory contracts or unexpired leases
19 that will be assumed under the Plan shall be deemed to satisfy, in full, any pre-petition or post-
20 petition arrearage or other Claim asserted in a Filed proof of Claim or listed in the Schedules,
21 irrespective of whether the Cure Payment is less than the amount set forth in such proof of Claim or
22 the Schedules. Upon the tendering of the Cure Payment, such Claim shall be disallowed, without
23 further order of the Court or action by any party.

24 **2. Rejection of Executory Contracts and Unexpired Leases.**

25 **a. Rejected Agreements.**

26 On the Effective Date, the Debtors will reject all executory contracts and unexpired leases set
27 forth on the Schedule of Rejected Agreements (Exhibit K to the Plan) as well as all executory
28 contracts and unexpired leases neither set forth on the Schedule of Assumed Agreements nor the

1 Schedule of Rejected Agreements. The Confirmation Order will constitute a Court order approving
2 the rejection, on the Effective Date, of the executory contracts and unexpired leases not previously
3 assumed or assumed under the Plan.

4 **b. Bar Date for Rejection Damage Claims.**

5 Any Rejection Damage Claim or other Claim for damages arising from the rejection of an
6 executory contract or unexpired lease under the Plan must be Filed and served upon counsel to the
7 Reorganized Debtors within thirty (30) days after the mailing of notice of the occurrence of the
8 Effective Date. Any such Claims that are not timely Filed and served will be forever barred and
9 unenforceable against the Debtors, the Reorganized Debtors, the Estates, and their respective
10 property, and entities holding these Claims will be barred from receiving any distributions under the
11 Plan on account of such untimely Claims.

12 **3. Post-Petition Contracts and Leases.**

13 Except as expressly provided in the Plan or the Confirmation Order, all contracts, leases, and
14 other agreements that the Debtors entered into after the Petition Date will be retained by the
15 Reorganized Debtors.

16 **D. Means of Execution and Implementation of the Plan.**

17 **1. Substantive Consolidation.**

18 As of the Effective Date, solely for the purposes of the Plan, the assets, claims, and affairs of
19 the Debtors and the Estates shall be substantively consolidated. As a result of the substantive
20 consolidation, on the Effective Date, all property, rights, and claims of the Debtors and the Estates,
21 and all Claims against the Debtors and the Estates shall be deemed pooled for purposes of
22 allowance, treatment, and distributions under the Plan and multiple proofs of Claim on account of
23 any Claim upon which any of the Debtors are co-obligors or guarantors or otherwise may be
24 contingently liable shall, without necessity of objection by any party, be deemed to constitute a
25 single proof of Claim entitled to a single satisfaction from the substantively consolidated Estates in
26 accordance with the terms of the Plan; the duplicative Claims being otherwise deemed disallowed.
27 Further, as a result of this substantive consolidation, all Intercompany Claims shall be cancelled
28 without being entitled to any distribution under the Plan.

1 **2. Exit Operating Facility.**

2 On the Effective Date, the Reorganized Debtors will consummate the transactions
3 contemplated in the Exit Operating Facility Documents.

4 **3. Funding of the Plan.**

5 Obligations required to be satisfied in cash under the Plan on and after the Effective Date will
6 be satisfied from the Reorganized Debtors' cash on hand, the lease or sale of assets, revenues, and
7 the proceeds of the Exit Operating Facility, or a combination of the foregoing.

8 **4. Creation of the Creditor Trust and Appointment of the Creditor Trustee.**

9 The Confirmation Order shall approve, effective on the Effective Date, the Creditor Trust
10 Agreement. The Creditor Trust will be organized for the primary purpose of liquidating and
11 distributing assets transferred to it. The activities of the Creditor Trust shall be reasonably necessary
12 to, and consistent with, accomplishing that purpose. The Creditor Trust's liquidation of the assets
13 transferred to it shall not be unreasonably prolonged and its liquidating purpose shall not become so
14 obscured by business activities that its declared purpose of liquidation is lost or abandoned. The
15 Creditor Trust will have no objective to continue or engage in the conduct of trade or business,
16 except to the extent reasonably necessary to, or consistent with, its liquidating purpose.

17 **a. Management of the Creditor Trust.**

18 The Creditor Trust Agreement shall provide for the appointment of one (1) person to act as
19 the Creditor Trustee to administer the Creditor Trust. The initial Creditor Trustee shall be identified
20 on Exhibit H to the Plan. After the earliest of (i) the expiration of the initial Creditor Trustee's first
21 two-year term, (ii) his or her resignation, and (iii) his or her removal by the board of directors for
22 cause, then the board of directors for the Creditor Trust shall select the successor and all subsequent
23 Creditor Trustees. The Creditor Trustee shall serve without any bond and shall act in accordance
24 with the Creditor Trust Agreement and the Plan. The Creditor Trustee shall be entitled to receive, on
25 a monthly basis, payment of reasonable fees and reimbursement of reasonable expenses without
26 further Court approval from the assets of the Creditor Trust, in accordance with the Creditor Trust
27 Agreement.

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

1 There also will be a board of directors for the Creditor Trust, which will consist of two (2)
2 representatives of the Pre-Petition Lender Group, and one (1) representative selected by the
3 Creditors' Committee. The Creditor Trust Agreement shall provide a mechanism for appointing
4 successor directors of the Creditor Trust. Among other things, the board of directors shall have the
5 power to determine to what extent reasonable reserves should be established for the funding of
6 ongoing and future litigation fees and expenses as well as trust administration expenses.

7 **b. Funding of the Creditor Trust.**

8 The Creditor Trust will be funded as follows:

9 a. On the Effective Date, all right, title and interest of the Debtors and the Estates in the
10 Avoidance Actions and Insider Actions and the proceeds thereof shall deemed assigned to the
11 Creditor Trust;

12 b. On or as soon as reasonably practicable after the Effective Date, the Reorganized
13 Debtors shall contribute \$250,000 to the Creditor Trust to fund the investigation, initiation and
14 prosecution of the Avoidance Actions and Insider Actions, and any objections to the General
15 Unsecured Claims and Phase II Landowner Claims;

16 c. On or as soon as reasonably practicable after the Effective Date, the Reorganized
17 Debtors shall contribute an additional \$1,000,000 to the Creditor Trust, which is to be distributed Pro
18 Rata to the holders of Allowed General Unsecured Claims that do not receive the Alternative Claim
19 Treatment, and shall not be used for any other purposes. The Pro Rata portion of the foregoing
20 \$1,000,000 contribution not distributed to holders of Allowed General Unsecured Claims, if any, as
21 a consequence of such creditors receiving the Alternative Claim Treatment shall be returned to the
22 Reorganized Debtors.

23 For federal income tax purposes, a transfer of assets to the Creditor Trust for the benefit of
24 holders of Allowed Claims is treated as a transfer of assets to such holders to the extent that such
25 holders are beneficiaries of the Creditor Trust. The transfer will be treated as a deemed transfer to
26 such holders followed by a deemed transfer by such holders to the Creditor Trust. Such holders will
27 be treated as the grantors and deemed owners of the Creditor Trust. The valuations of the transferred
28

1 property by the Creditor Trustee and the beneficiaries of the Creditor Trust must be consistent, and
2 those valuations must be used for all federal income tax purposes.

3 **c. Powers and Duties.**

4 The Creditor Trust shall have the following rights, powers and duties:

5 a. Hold all of the Creditor Trust Assets. The Creditor Trust shall have full right, power
6 and discretion to manage such property and execute, acknowledge and deliver any and all
7 instruments as may be appropriate or necessary as determined by the Creditor Trust in its discretion;

8 b. Make interim and final distributions of the Creditor Trust Assets to the holders of
9 beneficial interests in the Creditor Trust pursuant to the terms of the Plan;

10 c. File objections to General Unsecured Claims and Phase II Landowner Claims;

11 d. Administer the collection, prosecution, settlement, or abandonment of the Avoidance
12 Actions and Insider Actions;

13 e. File all tax and regulatory forms, returns, reports and other documents required with
14 respect to the Creditor Trust; and

15 f. File suit or any appropriate motion for relief in the Court or in any other court of
16 competent jurisdiction to resolve any claim, disagreement, conflict or ambiguity in connection with
17 the exercise of its rights, powers or duties.

18 **d. Limitations on Prosecution of Actions and Payment.**

19 Creditor Trust shall retain ASK Financial, or another firm acceptable to the Debtors, the
20 Creditors' Committee, and the DIP Agent, to prosecute all Avoidance Actions held by the Creditor
21 Trust where the aggregate potential recovery from affiliated parties does not exceed \$500,000,
22 subject to the discretion of the Creditor Trust's board of directors. All other Avoidance Actions and
23 all Insider Actions will be controlled by the Creditor Trustee acting in consultation with and
24 pursuant to the advice of the board of directors of the Creditor Trust. However, to the extent that the
25 Reorganized Debtors or a lender selected by them funds the Creditor Trust's litigation against any of
26 the entities listed on Exhibit I to the Plan through a loan to the Creditor Trust, then:
27
28

1 a. The Reorganized Debtors or their designated lender, as applicable, will choose
2 counsel for such action and direct that litigation on behalf of the Creditor Trust until the loan to the
3 Creditor Trust is repaid; and

4 b. The Reorganized Debtors or their designated lender, as applicable, will be entitled to
5 repayment of the loan with appropriate interest and other incentives, all of which are to be approved
6 by the board of directors for the Creditor Trust, out of the gross recovery to the Creditor Trust and
7 before any distributions or payments to any other parties in interest, other than the distribution of the
8 Reorganized Debtors' \$1,000,000 contribution intended for Allowed General Unsecured Claims.

9 **e. The Termination of the Creditor Trust.**

10 The Creditor Trust shall be irrevocable. The Creditor Trust shall terminate when the Creditor
11 Trustee has performed all of its duties under the Plan and the Creditor Trust Agreement, including
12 the final distribution of all the property of the Creditor Trust in respect of holders of beneficial
13 interests in the Creditor Trust, which date shall not be more than four (4) years and one (1) month
14 after the Effective Date; provided, however, the Court may upon good cause shown order the
15 Creditor Trust to remain open so long as shall be necessary to prosecute the Avoidance Actions and
16 Insider Actions and liquidate and distribute all its property.

17 Upon good cause shown, the Court may modify the rights, powers and duties of the Creditor
18 Trust or the procedures for appointing successors to the Creditor Trustee, in light of material changes
19 in circumstances, upon the motion of the Creditor Trust or a party in interest.

20 **f. Additional Provisions of the Creditor Trust Agreement.**

21 In addition to the provisions in the Plan with respect to the Creditor Trust, the Creditor Trust
22 Agreement will provide for, among other things, other actions to be taken by the Creditor Trust and
23 the Creditor Trustee, the removal of the Creditor Trustee or appointment of successor Creditor
24 Trustees, the liability of the Creditor Trustee, the effect of actions by the Creditor Trustee, and the
25 indemnification of the Creditor Trustee. The Creditor Trust Agreement shall also contain language
26 consistent with IRS Revenue Procedure 94-95 establishing that the Creditor Trust is a liquidating
27 trust. To the extent not set forth in the Plan, the functions and procedures applicable to the Creditor
28

1 Trust and the powers and duties of the Creditor Trustee and the rights of the holders of beneficial
2 interests in the Creditor Trust shall be governed by the provisions of the Creditor Trust Agreement.

3 **5. Creation of the T-16 LID Trust and Appointment of the T-16 LID**
4 **Trustee.**

5 The Confirmation Order shall approve, effective on the Effective Date, the T-16 LID Trust
6 Agreement.

7 **a. Management of the T-16 LID Trust.**

8 The T-16 LID Trust Agreement shall provide for the appointment of one (1) person to act as
9 the T-16 LID Trustee to administer the T-16 LID Trust. The initial T-16 LID Trustee shall be
10 identified on Exhibit L to the Plan. Any successor T-16 LID Trustee will be selected by the
11 Reorganized Debtors so long as either the X-West Loan or the X-East Loan is outstanding and until
12 the obligations under the T-16 LID Trust Credit Agreement have been satisfied in full. Thereafter,
13 the Reorganized Debtors and the landowners with land adjacent to the remaining uncompleted T-16
14 LID segments in the applicable approved model shall select the successor and all subsequent T-16
15 LID Trustees for successive one (1) year terms, subject to earlier death, resignation, incapacity or
16 removal as specifically provided in the T-16 LID Trust Agreement. The T-16 LID Trustee shall
17 serve without any bond and shall act in accordance with the T-16 LID Trust Agreement and the Plan.
18 The T-16 LID Trustee shall be entitled to receive, on a monthly basis, payment of reasonable fees
19 and reimbursement of reasonable expenses without further Court approval from the assets of the
20 T-16 LID Trust, in accordance with the T-16 LID Trust Agreement.

21 There also will be a board of directors for the T-16 LID Trust, which will consist of two (2)
22 representatives of the Reorganized Debtors, two (2) representatives of Phase II Landowners that own
23 real property in X-West, and one (1) representative of the T-16 LID Vendors. Upon completion of
24 the X-West segments of the T-16 LID and the satisfaction of the obligations under the X-West Loan
25 in full, the board of directors for the T-16 LID Trust will consist of one (1) representative of the
26 Reorganized Debtors, and one (1) representative of Phase II Landowners that own real property in
27 X-East. Among other things, the board of directors may (i) explore alternative means of developing
28 the X-West and X-East segments of the T-16 LID consistent with the X-West Approved Model and

1 proposed X-East Approved Model, including contracting with one or more general contractors to
2 perform substantially all of the work related to such projects; and (ii) retain a consultant to monitor
3 issues related to the development of the T-16 LID. The T-16 LID Trust may also consider and
4 implement the construction or completion of the Remainder Segments pursuant to the Remainder
5 Segments Approved Model provided it determines, as to any segment within the Remainder
6 Segments, that there will be no net cost to such construction, and the construction may be completed
7 without impairing the timing or completion of any segment in X-West.

8 **b. Funding of the T-16 LID Trust.**

9 The T-16 LID Trust will be funded on or as soon as reasonably practicable following the
10 Effective Date with the T-16 LID Trust Assets.

11 **c. Assistance of the Reorganized Debtors.**

12 The Reorganized Debtors will provide a reasonable number of personnel appropriate for
13 managing the T-16 LID, together with the incidental cost of such personnel such as office space and
14 administrative support reasonably appropriate for managing the T-16 LID, including managing
15 bidding, contracting, project oversight, and the submission of appropriate applications to the City of
16 Henderson to tender completed T-16 LID-related X-West, X-East and Remainder Segments to the
17 City of Henderson and receiving payment therefor.

18 **d. The Pre-Petition Lender Group LID Contribution.**

19 If the LID Acquisition Settlement Event has not occurred on or before the Effective Date,
20 then on or as soon as reasonably practicable after the Effective Date, the Pre-Petition Agent and the
21 Pre-Petition Lender Group shall assign all their right, title and interest in the Pre-Petition Lender
22 Group LID Contribution to LLV LID Loan, LLC, a newly-formed subsidiary of Reorganized LLV
23 Holdco. LLV LID Loan, LLC shall hold and be entitled to enforce all rights and remedies in respect
24 of the Pre-Petition Lender Group LID Contribution; provided that it shall contribute any proceeds
25 actually received to the T-16 LID Trust.

26 **e. Powers and Duties.**

27 The T-16 LID Trust shall initially pursue the development of the X-West segments of the
28 T-16 LID in accordance with the X-West Approved Model. To facilitate this, the T-16 LID Trust

1 may immediately borrow funds under the X-West Loan for the purposes specified therein. After
2 repayment in full of all obligations under the X-West Loan and the satisfaction of the other X-East
3 Conditions, the T-16 LID Trust may pursue the development of the X-East segments of the T-16
4 LID in accordance with the X-East Approved Model, and may borrow funds under the X-East Loan
5 to pursue the development of X-East..

6 Consistent with the foregoing, the T-16 LID Trust shall have the following rights, powers
7 and duties:

8 a. Hold all of the T-16 LID Trust Assets. The T-16 LID Trust shall have full right,
9 power and discretion to manage such property and execute, acknowledge and deliver any and all
10 instruments as may be appropriate or necessary as determined by the T-16 LID Trust in its
11 discretion;

12 b. Retain the services of third-party contractors, under terms and conditions which shall
13 be at the sole discretion of the T-16 LID Trustee, to complete any and all work necessary to obtain
14 payment from the City of Henderson on account of the T-16 LID Payment Rights; provided,
15 however, that the T-16 LID Trustee shall be required to allow the City of Henderson to pay for the
16 post-Effective Date services of third-party contractors, as reasonably necessary;

17 c. Make interim and final distributions of the Net T-16 LID Payment Proceeds to the
18 holders of beneficial interests in the T-16 LID Trust pursuant to the terms of the Plan;

19 d. Make distributions of the remaining Net T-16 LID Payment Proceeds after payment
20 in full of all T-16 LID Payment Claims under the Plan to Reorganized LLV-1 as reimbursement for
21 the unreimbursed payments LLV-1 made on account of the T-16 LID prior to the Petition Date;

22 e. In the event the LID Acquisition Settlement Event has not occurred on or before the
23 Effective Date, prosecute the LID Acquisition Litigation against LID Acquisition, LLC and, if
24 necessary, settle or abandon claims arising out of, or relating to, the LID Acquisition Litigation;

25 f. Administer the collection from the T-16 LID and the City of Henderson on account of
26 the T-16 LID Payment Rights and, if necessary, prosecute, settle, or abandon claims arising out of,
27 or relating to, the T-16 LID Payment Rights;

1 g. File all tax and regulatory forms, returns, reports and other documents required with
2 respect to the T-16 LID Trust; and

3 h. File suit or any appropriate motion for relief in the Court or in any other court of
4 competent jurisdiction to resolve any claim, disagreement, conflict or ambiguity in connection with
5 the exercise of its rights, powers or duties.

6 **f. The Termination of the T-16 LID Trust.**

7 The T-16 LID Trust shall be irrevocable. The T-16 LID Trust shall terminate when the T-16
8 LID Trustee has performed all of its duties under the Plan and the T-16 LID Trust Agreement,
9 including the final distribution of all the property of the T-16 LID Trust in respect of holders of
10 beneficial interests in the T-16 LID Trust, which date shall not be more than five (5) years and one
11 (1) month after the Effective Date; provided, however, the Court may upon good cause shown order
12 the T-16 LID Trust to remain open so long as shall be necessary to develop the T-16 LID pursuant to
13 the X-West Approved Model, the X-East Approved Model, and the Remainder Segments Approved
14 Model, as applicable, and to liquidate and distribute all its property.

15 Upon good cause shown, the Court may modify the rights, powers and duties of the T-16
16 LID Trust or the procedures for appointing successors to the T-16 LID Trustee, in light of material
17 changes in circumstances, upon the motion of the T-16 LID Trust or a party in interest.

18 **g. Additional Provisions of the T-16 LID Trust Agreement.**

19 In addition to the provisions in the Plan with respect to the T-16 LID Trust, the T-16 LID
20 Trust Agreement will provide for, among other things, other actions to be taken by the T-16 LID
21 Trust and the T-16 LID Trustee, the removal of the T-16 LID Trustee or appointment of successor
22 T-16 LID Trustees, the liability of the T-16 LID Trustee, the effect of actions by the T-16 LID
23 Trustee, and the indemnification of the T-16 LID Trustee. To the extent not set forth in the Plan, the
24 functions and procedures applicable to the T-16 LID Trust and the powers and duties of the T-16
25 LID Trustee and the rights of the holders of beneficial interests in the T-16 LID Trust shall be
26 governed by the provisions of the T-16 LID Trust Agreement.

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

1 **6. Revesting of Assets.**

2 Except as otherwise provided in the Plan, on the Effective Date all property of the Estates
3 shall vest in the Reorganized Debtors, free and clear of all Claims, liens, encumbrances, and
4 Interests. From and after the Effective Date, the Reorganized Debtors may operate their business
5 and use, acquire and dispose of property without supervision by the Court and free of any
6 restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly
7 imposed by the Plan and the Confirmation Order.

8 **7. Preservation/Revesting of Rights of Action.**

9 Except as expressly released or otherwise expressly provided in the Plan, pursuant to
10 Bankruptcy Code section 1123(b), the Reorganized Debtors, the Creditor Trust, and the T-16 LID
11 Trust, as applicable, shall be vested with and shall retain and may enforce any claims, rights, and
12 causes of action that the Debtors or the Estates may hold or have against any person or entity, all of
13 which are hereby preserved, including rights of disallowance, offset, recharacterization and/or
14 equitable subordination with respect to Claims, and causes of action that have been or may be
15 brought by or on behalf of the Debtors, the Estates, the Creditors' Committee, the Creditor Trust, or
16 the T-16 LID Trust.

17 **8. Objections to Claims.**

18 Except as otherwise provided in Section IX.B., above (regarding allowance of Administrative
19 Claims), objections to any Claims shall be Filed and served upon the holder of the affected Claim no
20 later than the date that is the later of (a) six (6) months after the Effective Date, unless extended by
21 the Court, and (b) six (6) months after the date on which the affected proof of Claim has been filed,
22 unless extended by the Court. After the Effective Date, only the Reorganized Debtors and the
23 Creditor Trust, as applicable, shall have the authority to File, settle, compromise, withdraw or
24 litigate to judgment objections to Claims. The Creditor Trust shall have exclusive authority to File,
25 settle, compromise, withdraw or litigate to judgment objections to General Unsecured Claims and
26 Phase II Landowner Claims.

1 **9. Distribution of Property Under the Plan.**

2 The procedures for distributing property under the Plan are set forth in Section IV.I of the
3 Plan.

4 **10. Cancellation of Interests.**

5 Except as otherwise provided in this paragraph, all Interests in the Debtors will be cancelled,
6 annulled, and extinguished, and will be deemed to be of no further force or effect without any further
7 action by any party. Entities holding such Interests will retain no rights and receive no consideration
8 on account of these Interests. Notwithstanding the foregoing, if Class GC at LLV-GUC, Class LLV
9 Properties-GUC, Class LLV VHI-GUC, Class Marina-GUC, Class Neva-GUC, Class NorthShore-
10 GUC, Class P-3-GUC, Class SouthShore-GUC, Class TCH-GUC, and Class TC Technologies-GUC,
11 respectively, accept the Plan, the respective Interests in GC at LLV, LLV Properties, LLV VHI,
12 Marina, Neva, NorthShore, P-3, SouthShore, TCH, and TC Technologies will be retained and will
13 not be cancelled, annulled and extinguished pursuant to this paragraph.

14 In addition to the foregoing, 100% of the membership interests held by Neva in TransDen
15 Cable, LLC shall be contributed to LLV Broadband, LLC such that Reorganized LLVJV shall hold
16 31% of the membership interests in LLV Broadband, LLC, which shall hold 100% of the
17 membership interests in TransDen Cable, LLC.

18 **11. Full Satisfaction.**

19 The Disbursing Agent shall make, and each holder of a Claim or Interest shall receive, the
20 distributions provided for in the Plan in full satisfaction and discharge of such Claim or Interest.

21 **12. D&O Liability Policy.**

22 On or before the Effective Date, the Reorganized Debtors shall obtain tail coverage under a
23 directors and officers' liability insurance policy for the managers, officers and directors of the
24 Debtors that served at any time during the Cases for a term of six (6) years. Any unspent portion of
25 the \$1,000,000 that the Debtors have placed in escrow for the purpose of providing a source of funds
26 for any self-insured retention or deductible under such coverage shall be returned to the Reorganized
27 Debtors: (i) upon the expiration of such coverage period in the event that no claims against such
28 coverage have been asserted, or (ii) if claims have been asserted against such coverage, within ten

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

1 (10) days after the later of: (a) the compromise of all such claims or the entry of a Final Order
2 adjudicating or dismissing all such claims, and (b) the expiration of such period.

3 **13. Employment Agreements.**

4 The Reorganized Debtors may enter into employment agreements with certain individuals
5 immediately after the Effective Date. A summary of the terms of such agreements, if any, will be Filed by
6 the Second Exhibit Filing Date and served on parties entitled to notice.

7 **14. Compliance with Tax Requirements.**

8 The Disbursing Agent shall comply with all withholding and reporting requirements imposed on it
9 by governmental units, if any, and all distributions pursuant to the Plan shall be subject to such
10 withholding and reporting requirements.

11 **15. Setoff, Recoupment and Other Rights.**

12 Notwithstanding anything to the contrary contained in the Plan, the Reorganized Debtors
13 may, but shall not be required to, setoff, recoup, assert counterclaims or withhold against the
14 distributions to be made pursuant to the Plan on account of any claims that the Debtors, the Estates,
15 or the Reorganized Debtors may have against the entity holding an Allowed Claim; provided,
16 however, that neither the failure to effect such a setoff or recoupment, nor the allowance of any
17 Claim against the Debtors or the Reorganized Debtors, nor any partial or full payment during the
18 Cases or after the Effective Date in respect of any Allowed Claim, shall constitute a waiver or
19 release by Debtors, the Estates or the Reorganized Debtors of any claim that they may possess
20 against such holder.

21 **16. Conditions to Effectiveness.**

22 The Plan shall not become binding unless and until the Effective Date occurs. The Effective
23 Date is the first Business Day, on which no stay of the Confirmation Order is in effect, on which all
24 of the following conditions have been satisfied as set forth below or waived:

25 **a. Conditions.**

- 26 a. The Confirmation Order shall have become a Final Order;
- 27 b. No request for revocation of the Confirmation Order under section 1144 of the
28 Bankruptcy Code has been made, or, if made, remains pending;

1 c. Each exhibit, document or agreement to be executed in connection with the Plan
2 (including the T-16 LID Trust Agreement and the Creditor Trust Agreement) shall be reasonably
3 acceptable to the Debtors, the Creditors' Committee and the DIP Agent and their respective counsel;

4 d. The T-16 LID Trust Agreement shall have been executed and delivered;

5 e. The Creditor Trust Agreement shall have been executed and delivered;

6 f. The Exit Operating Facility shall be in full force and effect and all conditions therein
7 to the obligations of the parties to the Exit Operating Facility will have been satisfied or waived as
8 set forth in the Exit Operating Facility Documents;

9 g. The Bankruptcy Court shall have found that the DIP Agent and Pre-Petition Agent
10 have acted in good faith in the negotiation and development of the Plan and that the DIP Agent, the
11 Pre-Petition Agent, the DIP Lenders, the Pre-Petition Lender Group, as well as the Creditors'
12 Committee and the Debtors have each worked in good faith to compromise their respective claims
13 and that the settlement inherent in the Plan was proposed in good faith;

14 h. All other agreements, writings and undertakings required under the Plan shall be
15 executed and ready for consummation.

16 The Reorganized Debtors shall mail a "Notice of Occurrence of Effective Date" to all
17 creditors and interest holders of record as of the date of entry of the Confirmation Order upon the
18 occurrence of the Effective Date.

19 **b. Waiver of Conditions.**

20 Except as specified above, the requirement that the conditions to the occurrence of the
21 Effective Date be satisfied may be waived in whole or in part, and the time within which any such
22 conditions must be satisfied may be extended, by the Debtors with the consent of the DIP Agent.
23 The failure to timely satisfy or waive any of such conditions may be asserted by the Debtors
24 regardless of the circumstances giving rise to the failure of such condition to be satisfied, including
25 any action or inaction by the Debtors. The failure of the Debtors to exercise any of the foregoing
26 rights shall not be deemed a waiver of any other rights and each such right shall be deemed ongoing
27 and subject to assertion at any time.
28

1 **17. Authorization of Entity Action.**

2 Each of the matters provided for under the Plan involving the entity structure of the Debtors
3 or the Reorganized Debtors or any action to be taken by or required of the Debtors or the
4 Reorganized Debtors, including, without limitation, the authorization and issuance of the New
5 Membership Interests, and the execution of the Articles of Organization and Operating Agreements,
6 shall, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and
7 shall be authorized, approved and, to the extent taken prior to the Effective Date, ratified in all
8 respects without any requirement of further action by equityholders, creditors, or managers, officers
9 or directors of the Debtors or the Reorganized Debtors.

10 **E. The Reorganized Debtors.**

11 **1. Officers and Directors.**

12 Atalon will manage the Reorganized Debtors pursuant to the Atalon Management Agreement.
13 Atalon currently indirectly owns 100% of the Interests in LLV Holdco. Under the Plan, these Interests
14 are being cancelled. Present Management is affiliated with Atalon.

15 **2. Articles of Organization and Operating Agreements.**

16 The Articles of Organization and Operating Agreements of the Reorganized Debtors shall
17 prohibit the issuance of non-voting equity securities as required by Bankruptcy Code
18 section 1123(a)(6), subject to amendment of such Articles of Organization and Operating
19 Agreements as permitted by applicable law. In addition, the Articles of Organization and Operating
20 Agreements shall provide the DIP Lenders with the right to participate on a Pro Rata basis in all of
21 the Reorganized Debtors' financings, whether through debt or otherwise.

22 **3. Periodic Reporting.**

23 As of the Effective Date, the Reorganized Debtors shall not be a public reporting company
24 under the Securities Exchange Act of 1934, as amended.

25 **4. Employee Benefit Plans.**

26 It is anticipated that as of the Effective Date, all of the Debtors' employee benefit plans,
27 programs and benefits existing immediately prior to the Effective Date as to persons employed on
28 the Effective Date shall be retained and constitute obligations of the Reorganized Debtors, provided

1 that nothing herein shall preclude the Reorganized Debtors from amending, modifying or otherwise
2 canceling such benefit plans, programs and benefits in their discretion to the extent permitted by law.

3 **F. Other Plan Provisions.**

4 **1. Exculpation: No Liability for Solicitation or Prosecution of**
5 **Confirmation.**

6 None of the Debtors, the Estates, the Reorganized Debtors, the Creditors' Committee (and
7 any member thereof acting in such capacity), the lenders and agent under the Exit Operating Facility,
8 the Pre-Petition Agent, the Pre-Petition Lender Group, the DIP Agent, the lenders participating in
9 the DIP Facility, or any of the foregoing parties' respective Associated Released Parties shall have
10 or incur any liability to any holder of a Claim or Interest, or to one another, for any act or omission
11 occurring on or after the Petition Date in connection with, related to, or arising out of the Cases, the
12 pursuit of confirmation of the Plan, the consummation or administration of the Plan, or property to
13 be distributed under the Plan, except for willful misconduct or gross negligence, and in all respects,
14 the Debtors, the Estates, the Reorganized Debtors, the Creditors' Committee (and any member
15 thereof acting in such capacity), the lenders and agent under the Exit Operating Facility, the
16 Pre-Petition Agent, the Pre-Petition Lender Group, the DIP Agent, the lenders participating in the
17 DIP Facility, or any of the foregoing parties' respective Associated Released Parties shall be entitled
18 to rely on the advice of their respective counsel with respect to their duties and responsibilities
19 during the Cases under the Plan.

20 **2. Releases by, and Among, the Debtors, the Creditors' Committee, Present**
21 **Management, Credit Suisse, the DIP Lenders, and the Holders of**
22 **Pre-Petition Lender Group Claims.**

23 Conditioned on the occurrence of the Effective Date, and except for obligations created by,
24 arising under or expressly preserved by the Plan, (a) the Debtors, (b) the Reorganized Debtors,
25 (c) Atalon and Present Management, (d) the Creditors' Committee, (e) members of the Creditors'
26 Committee in their capacity as such, on behalf of the themselves and the Estates shall be deemed to
27 have forever, fully, and irrevocably released and discharged each of Credit Suisse, the DIP Lenders,
28 and the holders of Pre-Petition Lender Group Claims, and their respective Associated Released
Parties from any and all Released Claims. In addition, each of Credit Suisse, the DIP Lenders and

1 holders of Pre-Petition Lender Group Claims shall be deemed to have forever, fully, and irrevocably
2 released and discharged, as applicable, each of the following parties from any and all Released
3 Claims: (a) the Debtors and their Estates, (b) the Reorganized Debtors, (c) Atalon and Present
4 Management, (d) the Creditors' Committee, (e) members of the Creditors' Committee in their
5 capacity as such, and, in each case, their respective Associated Released Parties.

6 **3. Optional Opt-Out Release.**

7 All Ballots for holders of Pre-Petition Lender Group Claims and a special solicitation to the
8 DIP Lenders, shall contain optional opt-out releases. Unless the entity entitled to cast such a Ballot
9 or solicitation affirmatively opts on its Ballot or solicitation not to release the following parties from
10 the Released Claims by checking the appropriate boxes on the Ballot or solicitation, by casting that
11 Ballot or solicitation, such entity shall forever, fully, and irrevocably release and discharge, as
12 applicable, each of the following parties that opt to provide a mutual release on their Ballots or, to
13 the extent not entitled to cast a Ballot, in a separate document, from any and all Released Claims:
14 (a) Credit Suisse, the DIP Lenders and holders of Pre-Petition Lender Group Claims and, in each
15 case, their respective Associated Released Parties, and (b) the Phase II Landowners that entered into
16 the Phase II Landowner Settlement Agreement and the T-16 LID Vendors that make the T-16 LID
17 Payment Claims Election, and their respective Associated Released Parties.

18 In addition, conditioned on the occurrence of the Effective Date, the DIP Agent and the
19 Pre-Petition Agent, in their capacities as such, shall be deemed to have forever, fully, and
20 irrevocably released and discharged the following entities from any and all Released Claims:
21 (a) each DIP Lender and each holder of a Pre-Petition Lender Group Claim (and each of their
22 respective Associated Released Parties), that does not opt out of the release described in clause (a) of
23 the immediately-preceding paragraph, and (b) the Phase II Landowners that entered into the Phase II
24 Landowner Settlement Agreement and the T-16 LID Vendors that make the T-16 LID Payment
25 Claims Election, and their respective Associated Released Parties.

26 **4. Indemnification of Present Management.**

27 The Reorganized Debtors shall indemnify Present Management to the fullest extent permitted
28 by applicable state law if Present Management is a party to or threatened to be made a party to or

1 otherwise involved in any threatened, pending, or completed action, suit, arbitration, alternate
2 dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual,
3 threatened or completed proceeding, whether brought in the right of the Debtors, the Estates, the
4 Reorganized Debtors or otherwise and whether of a civil, criminal, administrative or investigative
5 nature, whether formal or informal in any case, and whether the events upon which liability is
6 alleged occurred prior to, during or following the Debtors' bankruptcy cases, in which Present
7 Management was, is or will be involved as a party or otherwise by reason of: (i) the fact that Present
8 Management is or was a director or officer of the Debtors; (ii) the fact that any action taken by
9 Present Management or of any action on Present Management's part while acting as director, officer,
10 employee or agent of the Debtors or (iii) the fact that Present Management is or was serving at the
11 request of the Debtors as a director, officer, employee or agent of another corporation, partnership,
12 joint venture, trust, association, common-interest organization, employee benefit plan or other
13 enterprise (including, without limitation, the MPOA), and in any such case described above, whether
14 or not serving in any such capacity at the time any liability or expense is incurred for which
15 indemnification, reimbursement, or advancement of expenses may be provided. The Reorganized
16 Debtors shall indemnify Present Management for any and all direct and indirect costs of any type or
17 nature whatsoever (including, without limitation, all attorneys', witness, or other professional fees
18 and related disbursements, and other out-of-pocket costs of whatever nature), actually and
19 reasonably incurred by Present Management in connection with the investigation, defense or appeal
20 of a such a proceeding or one establishing or enforcing a right to indemnification, and amounts paid
21 in settlement by or on behalf of Present Management, but shall not include any judgments, fines or
22 penalties actually levied against Present Management for such individual's violations of law.

23 To the extent not prohibited by law, the Reorganized Debtors shall advance the direct and
24 indirect costs incurred by Present Management in connection with any such proceeding, and such
25 advancement shall be made within ten (10) days after the receipt by the Reorganized Debtors of a
26 statement or statements requesting such advances (which shall include invoices received by Present
27 Management in connection with such expenses but, in the case of invoices in connection with legal
28 services, any references to legal work performed or to expenditures made that would cause Present

1 Management to waive any privilege accorded by applicable law shall not be included with the
2 invoice). Advances shall be unsecured, interest free and without regard to Present Management's
3 ability to repay the expenses. Advances shall include any and all direct and indirect costs actually
4 and reasonably incurred by Present Management pursuing an action to enforce Present
5 Management's right to indemnification pursuant to the Plan or otherwise. Present Management shall
6 repay the advance if and to the extent that it is ultimately determined by a court of competent
7 jurisdiction in a final judgment, not subject to appeal, that Present Management is not entitled to be
8 indemnified by the Reorganized Debtors. The right to advances under this section shall continue
9 until final disposition of any proceeding, including any appeal therein.

10 Notwithstanding the foregoing, the Reorganized Debtors shall not be obligated to indemnify
11 Present Management on account of any proceeding with respect to: (i) remuneration paid to Present
12 Management if it is determined by final judgment or other final adjudication that such remuneration
13 was in violation of law; (ii) a final judgment rendered against Present Management for an
14 accounting, disgorgement or repayment of profits made from the purchase or sale by Present
15 Management of securities of the Debtors against Present Management or in connection with a
16 settlement by or on behalf of Present Management to the extent it is acknowledged by Present
17 Management and the Debtors that such amount paid in settlement resulted from Present
18 Management's conduct from which Present Management received monetary personal profit, pursuant
19 to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or other
20 provisions of any federal, state or local statute or rules and regulations thereunder; (iii) a final
21 judgment or other final adjudication that Present Management's conduct was in bad faith, knowingly
22 fraudulent or deliberately dishonest or constituted willful misconduct (but only to the extent of such
23 specific determination); or (iv) on account of conduct that is established by a final judgment as
24 constituting a breach of Present Management's duty of loyalty to the Debtors or resulting in any
25 personal profit or advantage to which Present Management is not legally entitled.

26 Present Management's rights under this section shall continue after Present Management has
27 ceased acting as an agent of the Debtors and shall inure to the benefit of the heirs, executors,
28 administrators and assigns of Present Management. The obligations and duties of the Reorganized

1 Debtors to Present Management under this Agreement shall be binding on the Reorganized Debtors
2 and their successors and assigns. The Reorganized Debtors shall require any successor (whether
3 direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the
4 business or assets of the Reorganized Debtors, expressly to assume and agree to indemnify Present
5 Management and advance their direct and indirect costs in the same manner and to the same extent
6 that the Reorganized Debtors would be required to perform if no such succession had taken place.

7 **5. Revocation of Plan/No Admissions.**

8 The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date.
9 Notwithstanding anything to the contrary in the Plan, if the Plan is not confirmed or the Effective
10 Date does not occur, the Plan will be null and void, and nothing contained in the Plan or the
11 Disclosure Statement will: (a) be deemed to be an admission by the Debtors with respect to any
12 matter set forth in the Plan, including liability on any Claim or the propriety of any Claim's
13 classification; (b) constitute a waiver, acknowledgment, or release of any Claims against, or any
14 Interests in, the Debtors, or of any claims of the Debtors; or (c) prejudice in any manner the rights of
15 any party in any further proceedings.

16 **6. Modifications of the Plan.**

17 Subject to the restrictions set forth in Bankruptcy Code section 1127, the Debtors, on behalf
18 of themselves and the Reorganized Debtors, reserve the right to alter, amend, or modify the Plan
19 before its substantial consummation.

20 **7. Dissolution of Creditors' Committee.**

21 On the Effective Date, the Creditors' Committee shall be released and discharged from the
22 rights and duties arising from or related to the Cases, except with respect to final applications for
23 professionals' compensation. The professionals retained by the Creditors' Committee and the
24 members thereof shall not be entitled to compensation or reimbursement of expenses for any
25 services rendered or expenses incurred after the Effective Date, except for services rendered and
26 expenses incurred in connection with any applications by such professionals or Creditors' Committee
27 members for allowance of compensation and reimbursement of expenses pending on the Effective
28 Date or timely Filed after the Effective Date as provided in the Plan, as approved by the Court.

1 **8. Exemption from Certain Transfer Taxes.**

2 In accordance with Bankruptcy Code section 1146(c), the issuance, transfer or exchange of a
3 security, or the making or delivery of an instrument of transfer under the Plan may not be taxed
4 under any law imposing a stamp tax or similar tax. The Confirmation Order shall direct all
5 governmental officials and agents to forego the assessment and collection of any such tax or
6 governmental assessment and to accept for filing and recordation any of the foregoing instruments or
7 other documents without payment of such tax or other governmental assessment.

8 **9. Modification of the Plan.**

9 The Plan may be modified at any time before or after confirmation, subject to sections 1125
10 and 1127 of the Bankruptcy Code. Provided the proposed modification does not materially and
11 adversely affect either (i) the treatment and recovery by holders of General Unsecured Claims under
12 the Plan or (ii) the prospects for confirming the Plan, such a modification does not require the
13 consent of the Creditors' Committee. Any proposed modification that materially and adversely
14 affects the treatment and recovery by holders of General Unsecured Claims under the Plan is subject
15 to the written consent of the Creditors' Committee. If the Creditors' Committee does not consent to
16 such a proposed modification, then each of the Debtors and the Creditors' Committee may separately
17 seek confirmation of the Plan, with or without modification, subject to the requirements of sections
18 1125 and 1127 of the Bankruptcy Code.

19 The Plan is a "Confirming Plan of Reorganization" (as defined under the DIP Facility). The
20 Debtors will need to obtain the approval of the DIP Lenders to any amendment to the Plan.

21 **G. Effect of Confirmation of the Plan.**

22 **1. Discharge and Injunction.**

23 **The rights afforded in the Plan and the treatment of all Claims and Interests shall be in**
24 **exchange for and in complete satisfaction, discharge, and release of all Claims and Interests of**
25 **any nature whatsoever arising prior to the Effective Date, including any interest accrued on**
26 **such Claims from and after the Petition Date (except as otherwise ordered by the Court),**
27 **against the Debtors, the Estates and their property.**

28 **Except as otherwise provided in the Plan or the Confirmation Order, the Plan and**

1 Confirmation Order shall: (a) on the Effective Date, discharge and release the Debtors, the
2 Estates, the Reorganized Debtors, and their property to the fullest extent permitted by
3 Bankruptcy Code sections 524 and 1141 from all Claims and Interests, including all debts,
4 obligations, demands, liabilities, Claims, and Interests that arose before the Effective Date, and
5 all debts of the kind specified in Bankruptcy Code sections 502(g), 502(h), or 502(i), regardless
6 of whether or not (i) a proof of Claim based on such debt is filed or deemed filed, (ii) a Claim
7 based on such debt is allowed pursuant to Bankruptcy Code section 502, or (iii) the holder of a
8 Claim or Interest based on such debt or Interest has or has not accepted the Plan; (b) void any
9 judgment underlying a Claim or Interest discharged hereunder; and (c) preclude all entities
10 from asserting against the Debtors, the Estates, the Reorganized Debtors, or their respective
11 property any Claims or Interests based upon any act or omission, transaction, or other activity
12 of any kind or nature that occurred prior to the Effective Date.

13 Except as otherwise provided in the Plan or the Confirmation Order, on and after the
14 Effective Date, all entities who have held, currently hold, or may hold a debt, Claim, or
15 Interest against the Debtors, the Estates, the Reorganized Debtors, or their respective property
16 that is based upon any act or omission, transaction, or other activity of any kind or nature that
17 occurred prior to the Effective Date, that otherwise arose or accrued prior to the Effective
18 Date, or that is otherwise discharged pursuant to the Plan, shall be permanently enjoined from
19 taking any of the following actions on account of any such discharged debt, Claim, or Interest
20 (the "Permanent Injunction"): (a) commencing or continuing in any manner any action or
21 other proceeding against the Debtors, the Estates, the Reorganized Debtors, or their respective
22 property that is inconsistent with the Plan or the Confirmation Order; (b) enforcing,
23 attaching, collecting, or recovering in any manner any judgment, award, decree, or order
24 against the Debtors, the Estates, the Reorganized Debtors, or their respective property other
25 than as specifically permitted under the Plan approved by the Confirmation Order;
26 (c) creating, perfecting, or enforcing any lien or encumbrance against the Debtors, the Estates,
27 the Reorganized Debtors, or their respective property; and (d) commencing or continuing any
28 action, in any manner, in any place that does not comply with or is inconsistent with the

1 provisions of the Plan, the Confirmation Order, or the discharge provisions of Bankruptcy
2 Code section 1141. Any entity injured by any willful violation of such Permanent Injunction
3 shall recover actual damages, including costs and attorneys' fees, and, in appropriate
4 circumstances, may recover punitive damages, from the willful violator.

5 Notwithstanding the discharge of the Debtors' obligations under the DIP Facility and the
6 Pre-Petition Lender Group Credit Documents, obligations between and among the DIP Lenders, the
7 DIP Agent, the holders of Pre-Petition Lender Group Claims, and the Pre-Petition Agent set forth in
8 the DIP Facility and Pre-Petition Lender Group Credit Documents, including, without limitation,
9 indemnification and reimbursement provisions in the foregoing documents, shall be preserved and
10 shall survive the confirmation of the Plan and the discharge injunctions set forth in the Plan and the
11 Confirmation Order.

12 **2. Payment of U.S. Trustee Fees.**

13 The Reorganized Debtors shall pay all U.S. Trustee Fees in accordance with Section II.B.1 of
14 the Plan.

15 **3. Retention of Jurisdiction.**

16 Notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date,
17 the Court shall retain jurisdiction over the Cases after the Effective Date to the fullest extent
18 provided by law, as more particularly set forth in Section VII.C of the Plan.

19 **X.**

20 **FINANCIAL INFORMATION**

21 **A. Financial Projections and Feasibility.**

22 The Bankruptcy Code provides that a plan may only be confirmed if confirmation is not
23 likely to be followed by the liquidation or the need for further financial reorganization of the debtor,
24 unless such liquidation or reorganization is proposed in the Plan. 11 U.S.C. § 1129(a)(11). This is
25 referred to as the "feasibility" requirement.

26 The Disclosure Statement includes, as Exhibit 7, financial projections for the Reorganized
27 Debtors (collectively, the "Projections"). The Projections show financial information for the 24-
28 month period following the anticipated Effective Date. In particular, the Projections demonstrate

1 that the Reorganized Debtors will be able to meet their obligations for the first two years after the
2 Effective Date and that the Plan is not likely to be followed by the liquidation, or the need for further
3 financial reorganization, of the Reorganized Debtors. As a result, the Plan satisfies the feasibility
4 requirement set forth in Bankruptcy Code section 1129.

5 **B. Securities Law Matters.**

6 The securities law considerations detailed below pertain to the issuance of the
7 New Membership Interests under the Plan. The following discussion relates to certain securities
8 laws that restrict transfers of the New Membership Interests and that may be applicable to transfers
9 of the New Membership Interests subsequent to their issuance under the Plan.

10 The Debtors do not intend to file a registration statement under the Securities Act or any
11 other federal or state securities laws with respect to the issuance or resale of any of the New
12 Membership Interests. To the extent set forth herein, the Debtors and the Reorganized Debtors will
13 rely on Bankruptcy Code section 1145(a) to exempt them from registration under the Securities Act
14 and any applicable state securities laws the offer, sale and issuance of the New Membership Interests
15 pursuant to the Plan. Generally, Bankruptcy Code section 1145(a)(1) exempts the offer and sale of
16 securities pursuant to a plan of reorganization from such registration requirements if the following
17 conditions are satisfied: (i) the securities are issued by a debtor (or its affiliate or successor) under a
18 plan of reorganization, (ii) the recipients of the securities hold a claim against, an interest in, or a
19 claim for an administrative expense against, the debtor, and (iii) the securities are issued entirely in
20 exchange for the recipient's claim against, or interest in, the debtor, or are issued "principally" in
21 such exchange and "partly for cash or property." Here, pursuant to the Plan, (i) the New
22 Membership Interests and other securities are being issued by the Debtors under the Plan, (ii) the
23 recipients of these securities hold Claims against the Debtors, and (iii) these securities are being
24 issued entirely in exchange for the recipients' Claims against the Debtors.

25 There is no public market for the New Membership Interests, and none is expected to
26 develop in the foreseeable future. Recipients of the New Membership Interests should be prepared
27 to hold the New Membership Interests for an indefinite period of time and must be able to afford the
28 complete loss of their investment.

1 In principal, *in the event there is a public market for the New Membership Interests*, the New
2 Membership Interests distributed under the Plan, pursuant to the exemption provided under
3 Bankruptcy Code section 1145, may be eligible for resale by the holders thereof, except for any such
4 holder that is deemed to be an "underwriter" (as defined in Bankruptcy Code section 1145(b)(1))
5 with respect to the New Membership Interests. Generally, Bankruptcy Code section 1145(b)(1)
6 defines an "underwriter" as any person who (i) purchases a claim against, or an interest in, a debtor
7 with a view toward distribution of any security to be received in exchange for such claim or interest,
8 (ii) offers to sell securities issued pursuant to a bankruptcy plan for the holders of such securities,
9 (iii) offers to buy securities issued pursuant to a bankruptcy plan from persons receiving such
10 securities, if the offer to buy is made with a view toward distribution of such securities, or (iv) is an
11 issuer within the meaning of Section 2(11) of the Securities Act. Section 2(11) of the Securities Act
12 provides that the term "issuer" includes all persons who, directly or indirectly, through one or more
13 intermediaries, control, or are controlled by, or are under common control with, an issuer of
14 securities. Under Rule 405 of Regulation C under the Securities Act, the term "control" means the
15 possession, direct or indirect, of the power to direct or cause the direction of the management and
16 policies of a person, whether through the ownership of voting securities, by contract, or otherwise.
17 Accordingly, an officer or director of a reorganized debtor (or its affiliate or successor) under a plan
18 of reorganization may be deemed to "control" such debtor (and therefore be an underwriter for
19 purposes of Bankruptcy Code section 1145), particularly if such management position is coupled
20 with the ownership of a significant percentage of a debtor's (or its affiliate's or successor's) voting
21 securities.

22 Holders of the New Membership Interests who are deemed to be "underwriters" within the
23 meaning of Bankruptcy Code section 1145(b)(1) or who may otherwise be deemed to be
24 "underwriters" of, or to exercise "control" over, the Reorganized Debtors within the meaning of
25 Rule 405 of Regulation C under the Securities Act should, assuming all other conditions of
26 Rule 144A are met, be entitled to avail themselves of the safe harbor resale provisions thereof.
27 Rule 144A, promulgated under the Securities Act, provides a non-exclusive safe harbor exemption
28 from the registration requirements of the Securities Act for resale to certain "qualified institutional

1 buyers" of securities which are not securities of the same class of securities then listed on a national
2 securities exchange (registered as such under Section 6 of the Exchange Act) or quoted in a
3 U.S. automated inter-dealer quotation system (*e.g.*, NASDAQ). Under Rule 144A, a "qualified
4 institutional buyer" is defined to include, among other persons (*e.g.*, "dealers" registered as such
5 pursuant to Section 15 of the Exchange Act and "banks" as defined in Section 3(a)(2) of the
6 Securities Act), any entity which purchases securities for its own account or for the account of
7 another qualified institutional buyer and which (in the aggregate) owns and invests on a
8 discretionary basis at least \$100,000,000 in the securities of unaffiliated issuers.

9 At the Confirmation Hearing, the Debtors will request that the exemption provided under
10 Bankruptcy Code section 1145 from the requirements of Section 5 of the Securities Act, 15 U.S.C.
11 § 77e, and any state or local law requiring registration or qualification for the offer or sale of a
12 security, apply to the issuance by the Reorganized Debtors of the New Membership Interests and the
13 distribution of such New Membership Interests pursuant to the Plan.

14 Because no public market will exist for the New Membership Interests, and because of the
15 complex, subjective nature of the question of whether a particular person may be an underwriter, the
16 Debtors make no representation concerning the ability of any person to dispose of the New
17 Membership Interests. Therefore, a recipient of New Membership Interests should consult with
18 legal counsel concerning the eventual disposition of the New Membership Interests.

19 XI.

20 LIQUIDATION ANALYSIS / BEST INTERESTS TEST

21 Bankruptcy Code section 1129(a)(7) requires that each holder of a Claim or Interest in an
22 impaired Class either (i) vote to accept the Plan, or (ii) receive or retain under the Plan cash or
23 property of a value, as of the effective date of the Plan, that is not less than the value such holder
24 would receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code.
25 This is commonly referred to as the "Best Interests Test."

26 In a chapter 7 case, a trustee or trustees would be elected or appointed to liquidate the
27 debtor's assets and make distributions to creditors in accordance with the priorities set forth in the
28 Bankruptcy Code. Secured creditors generally are paid from the proceeds of sale of the properties

1 securing their liens. If any assets are remaining after the satisfaction of secured claims,
2 administrative expenses generally are next to receive payments. Unsecured claims are paid from any
3 remaining sales proceeds or other estate assets, according to their rights to priority. Unsecured
4 claims with the same right to priority receive a *pro rata* distribution based on the amount of their
5 allowed claim in relation to the total amount of allowed unsecured claims with the same right to
6 priority. Finally, interest holders receive the balance that remains, if any, after all creditors are paid.

7 Thus, for the Court to confirm the Plan, the Court must find that all creditors and
8 shareholders in impaired Classes who do not accept the Plan will receive at least as much under the
9 Plan as such holders would receive under a hypothetical chapter 7 liquidation.

10 The Debtors, together with Alvarez & Marsal North America, LLC, the Debtors' financial
11 advisor, prepared the liquidation analysis, attached hereto as Exhibit 8, reflecting the estimated cash
12 proceeds, net of liquidation-related costs, that would be realized if each Debtor were liquidated in
13 accordance with chapter 7 of the Bankruptcy Code. The liquidation analysis projects that, under
14 either a best-case or worst-case scenario, all Secured Claims with priority junior to the DIP Facility,
15 and all holders of Priority Claims, General Unsecured Claims and Interests in the Cases would
16 receive no distribution in the event that the Debtors were to be liquidated under chapter 7 of the
17 Bankruptcy Code. Even under the best-case scenario, which assumes the highest recoveries from the
18 liquidation of the assets of the Estates, the proceeds of these assets would go solely to satisfy the DIP
19 Facility. Accordingly, all of the Debtors' creditors and interest holders will receive at least as much
20 under the Plan as they would receive under a chapter 7 liquidation.

21 **THE LIQUIDATION ANALYSIS, INCLUDING THE CLAIMS ESTIMATES, WAS**
22 **PREPARED SOLELY TO ASSIST THE BANKRUPTCY COURT IN MAKING THE**
23 **FINDINGS REQUIRED UNDER SECTION 1129(a)(7) OF THE BANKRUPTCY CODE**
24 **AND MAY NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE.**

25 **THE DEBTORS BELIEVE THAT ANY ANALYSIS OF A HYPOTHETICAL**
26 **LIQUIDATION IS NECESSARILY SPECULATIVE. THERE ARE A NUMBER OF**
27 **ESTIMATES AND ASSUMPTIONS UNDERLYING THE LIQUIDATION ANALYSIS**
28 **THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC, COMPETITIVE**

1 AND OPERATIONAL UNCERTAINTIES AND CONTINGENCIES BEYOND THE
2 CONTROL OF THE DEBTORS OR A CHAPTER 7 TRUSTEE. NEITHER THE
3 LIQUIDATION ANALYSIS, NOR THE FINANCIAL INFORMATION ON WHICH IT IS
4 BASED, HAS BEEN EXAMINED OR REVIEWED BY INDEPENDENT ACCOUNTANTS
5 IN ACCORDANCE WITH STANDARDS PROMULGATED BY THE AMERICAN
6 INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THERE CAN BE NO
7 ASSURANCE THAT ACTUAL RESULTS WOULD NOT VARY MATERIALLY FROM
8 THE HYPOTHETICAL RESULTS REPRESENTED IN THE LIQUIDATION ANALYSIS.

9 XII.

10 RISK FACTORS

11 The Debtors' ability to perform their obligations under the Plan is subject to various factors
12 and contingencies, some of which are described in this section. The following discussion
13 summarizes only some material risks associated with the Plan and the Reorganized Debtors, and is
14 not exhaustive. Moreover, this section should be read in connection with the Plan and the other
15 disclosures contained in this Disclosure Statement.

16 **PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS**
17 **THAT ARE IMPAIRED SHOULD, WITH THEIR ADVISORS, READ AND CONSIDER**
18 **CAREFULLY THE FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER**
19 **INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE**
20 **STATEMENT AND THE PLAN.**

21 A. **Bankruptcy Considerations.**

22 1. **Parties in Interest May Object to the Debtors' Classification of Claims**
23 **and Interests.**

24 Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity
25 interest in a particular class only if the claim or equity interest is substantially similar to the other
26 claims or equity interests in that class. The Debtors believe that the classification of holders of
27 claims against and holders of equity interests in the Debtors under the Plan complies with the
28 requirements set forth in the Bankruptcy Code because the classes established under the Plan each

1 encompass claims or interests that are substantially similar to similarly classified claims or interest.
2 Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

3 **2. Failure to Satisfy Voting Requirements.**

4 If the Debtors receive votes in number and amount sufficient to enable the Bankruptcy Court
5 to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, to confirm the
6 Plan. In the event the Debtors do not receive sufficient votes, the Debtors may seek to accomplish
7 an alternative chapter 11 plan. There can be no assurance, however, that the terms of any such
8 alternative chapter 11 plan would be similar to, or as favorable to the holders of Allowed Claims as,
9 those proposed in the current proposed Plan.

10 **3. Failure to Secure Confirmation of the Plan.**

11 Bankruptcy Code section 1129 sets forth the requirements for confirmation of a chapter 11
12 plan, and requires the Bankruptcy Court to make a series of specified, independent findings.

13 Even if the Debtors receive the required votes accepting the Plan, there can be no assurance
14 that the Bankruptcy Court will confirm the Plan. A non-accepting holder of an Allowed Claim
15 might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures
16 and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the
17 Bankruptcy Court determined that this Disclosure Statement, the balloting procedures and voting
18 results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that
19 any of the statutory requirements for confirmation of the Plan are not met, including the requirement
20 that the terms of the Plan do not "unfairly discriminate" and are "fair and equitable" to non-accepting
21 Classes. If the Plan is not confirmed, it is unclear what distributions, if any, holders of Allowed
22 Claims would receive with respect to their Allowed Claims.

23 The Debtors reserve the right to modify the Plan as necessary for confirmation of the Plan.
24 Any such modifications could result in a less favorable treatment of any non-accepting Class, as well
25 as of any Classes junior to such non-accepting Class, than the treatment currently provided in the
26 Plan. Such a less favorable treatment could include a distribution of property to the Class affected
27 by the modification of a lesser value than currently provided in the Plan or no distribution of
28 property whatsoever under the Plan.

1 **4. Non-Consensual Confirmation.**

2 In the event that any impaired class of claims does not accept a chapter 11 plan, a bankruptcy
3 court may nevertheless confirm the plan under the procedure for non-consensual confirmation
4 described in Section VI of this Disclosure Statement. The Debtors believe that the Plan would
5 satisfy the requirements for non-consensual confirmation. Nevertheless, there can be no assurance
6 that the Bankruptcy Court will reach this conclusion.

7 **5. Debtors May Object to the Amount or Classification of a Claim.**

8 Except as otherwise provided in the Plan, the Debtors, the Reorganized Debtors and the
9 Creditor Trust reserve the right to object to the amount or classification of any Claim. The estimates
10 set forth in this Disclosure Statement cannot be relied on by any holder of a Claim against the
11 Debtors.

12 **6. The Effective Date Might Not Occur.**

13 Even if the Bankruptcy Court confirms the Plan, the Plan shall not become binding until the
14 Effective Date occurs. The Effective Date is the first Business Day: (a) that is at least ten (10) days
15 after the Confirmation Date; (b) on which no stay of the Confirmation Order is in effect; and (c) on
16 which the conditions set forth in Section IV.P.1 of the Plan have been satisfied or waived. If the
17 conditions set forth in Section IV.P.1 of the Plan do not occur (and are not waived), the Effective
18 Date may never occur. While there can be no assurances as to when exactly the Effective Date will
19 occur, based on the current circumstances of the Cases, the Debtors presently believe that the
20 Effective Date will occur within thirty (30) days following the Confirmation Date.

21 **B. Risk Factors Associated with the Value Of Securities To Be Issued Under the**
22 **Plan.**

23 **1. Recent Dislocation in the Financial Markets and Deterioration of the**
24 **Mortgage Lending and Financing Industries.**

25 The recent disruption within numerous major financial institutions and the resulting crisis in
26 the financial markets has rippled through the economy, and has impacted the homebuilding industry
27 in particular, and consequently developers such as the Debtors given that they derive a major source
28 of income from land sales to homebuilders. This severe dislocation in the financial markets has
impacted the ability of homebuyers to obtain mortgages—even among qualified borrowers not

1 seeking subprime mortgages. This has led to a further decrease in demand for new homes, as
2 purchasers are unable to obtain sufficient financing. If this trend continues, it could have a
3 significant material adverse effect on the Debtors' businesses, by reducing the demand from
4 homebuilders to purchase and develop additional land within the Project in light of the volume of
5 overall home sales. Consequently, a continued sustained freeze of the credit markets as a result of
6 the recent dislocation in the financial markets could have a significant adverse impact on the
7 homebuilder industry and, thus, the Reorganized Debtors.

8 **2. The Reorganized Debtors May Not Be Able To Achieve Projected**
9 **Financial Results.**

10 The Debtors' projected financial results reflect management's best estimate of the
11 Reorganized Debtors' future financial performance based on currently known facts and hypothetical
12 assumptions about, among other matters, the timing, confirmation and consummation of the Plan in
13 accordance with its terms, the anticipated future performance of the Reorganized Debtors, the real
14 estate market, the health of the homebuilder industry and general business and economic conditions.
15 Many of these factors are beyond the control of the Reorganized Debtors. As a consequence, the
16 Reorganized Debtors' actual financial results may differ significantly from the projections.
17 Specifically, the Reorganized Debtors may not be able to meet their projected financial results or
18 achieve the revenue or cash flow that they have assumed in projecting future business prospects.
19 If the Reorganized Debtors do not achieve these projected revenue or cash flow levels, they may
20 lack sufficient liquidity to continue operating as planned after the Effective Date.

21 **3. The Reorganized Debtors May Not be Able to Meet Post Reorganization**
22 **Debt Obligations and Operational Needs.**

23 The Reorganized Debtors' ability to service their debt obligations as they come due and meet
24 operational needs after the Effective Date will depend, in part, on the Reorganized Debtors' future
25 operating performance and market conditions. If the Reorganized Debtors are unable to service their
26 debt obligations and operational needs, this may preclude the Reorganized Debtors from fulfilling
27 their post-reorganization business plan and taking advantage of future opportunities.
28

1 Moreover, if the Reorganized Debtors are unable to meet their projected financial results,
2 resulting cash flow and working capital constraints may require the Reorganized Debtors to seek
3 additional working capital. The Reorganized Debtors may not be able to obtain such capital when it
4 is required. Even if they have access to additional working capital, it may only be available on
5 unreasonable terms. For example, the Reorganized Debtors may be required to take on additional
6 debt, the interest costs of which could materially and adversely affect the results of the operations
7 and financial condition of the Reorganized Debtors. If any such required capital is obtained in the
8 form of equity, the New Membership Interests could be materially diluted.

9 **4. The Actual Allowed Amounts of Claims May Differ from the Estimated**
10 **Claims and Adversely Affect the Percentage Recovery on General**
11 **Unsecured Claims.**

12 The Claims estimates set forth in this Disclosure Statement are based on various
13 assumptions. The actual allowed Claims amounts may differ significantly from those estimates
14 should one or more of those underlying assumptions prove to be incorrect. Such differences may
15 materially and adversely affect the percentage recovery to holders of such Claims under the Plan.

16 **5. A Liquid Trading Market for the New Membership Interests May Not**
17 **Develop.**

18 The New Membership Interests are new securities for which there is no market. The
19 Reorganized Debtors do not intend to register any of these securities under the Securities Act, list
20 them on any of the national securities exchanges, or have them quoted on an inter-dealer quotation
21 system. Accordingly, there is no assurance that there will ever be any market for the New
22 Membership Interests or that the holders of the New Membership Interests will have any ability to
23 sell or otherwise liquidate their New Membership Interests. If the Reorganized Debtors do register
24 the New Membership Interests under the Securities Act and a trading market does develop, any such
25 market may be discontinued at any time or cease for other reasons, in which case the holders of the
26 New Membership Interests may not be able to sell or otherwise liquidate their investments.
27 Additionally, the New Membership Interests may decline in value for a number of reasons,
28 including, for example, general business and economic conditions, industry performance, the

1 Reorganized Debtors' performance, competition and unanticipated events. Accordingly, there is no
2 guarantee that the New Membership Interests will have any realizable value.

3 The liquidity of any market for the New Membership Interests will depend, among other
4 things, upon the number of holders of New Membership Interests, the Reorganized Debtors'
5 financial performance and the market for similar securities, none of which can be determined or
6 predicted. Thus, the Debtors cannot provide assurances that an active trading market will develop,
7 or, if a market does develop, what the liquidity or pricing characteristics of that market will be.

8 As no public market for the New Membership Interests is expected to develop in the
9 foreseeable future, recipients of the New Membership Interests should be prepared to hold the New
10 Membership Interests for an indefinite period of time. In principle, in the event that there is a public
11 market, the New Membership Interests distributed under the Plan pursuant to the exemption
12 provided under Bankruptcy Code section 1145, may be eligible for resale by the holders thereof,
13 except for any such holder that is deemed to be an "underwriter" under that section.

14 **BECAUSE OF THE FACT THAT NO PUBLIC MARKET EXISTS FOR THE NEW**
15 **MEMBERSHIP INTERESTS, AND BECAUSE OF THE COMPLEX, SUBJECTIVE**
16 **NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN**
17 **"UNDERWRITER," THE DEBTORS MAKE NO REPRESENTATION CONCERNING**
18 **THE ABILITY OF ANY PERSON TO DISPOSE OF THE NEW MEMBERSHIP**
19 **INTERESTS TO BE DISTRIBUTED UNDER THE PLAN. THE DEBTORS RECOMMEND**
20 **THAT RECIPIENTS OF THE NEW MEMBERSHIP INTERESTS CONSULT WITH**
21 **THEIR OWN LEGAL COUNSEL CONCERNING THE LIMITATIONS ON THEIR**
22 **ABILITY TO DISPOSE OF THE NEW MEMBERSHIP INTERESTS.**

23 **6. The New Membership Interests Could Be Diluted or Impaired in Value.**

24 The Reorganized Debtors may require capital infusions in the future and may seek to raise such
25 capital by issuing additional New Membership Interests. In the event that the Reorganized Debtors
26 determine to issue additional New Membership Interests, such issuance would result in the dilution of
27 the interests of those entities that are distributed New Membership Interests under the Plan. Thus, such
28 entities should take into account the possibility that the percentage of New Membership Interests issued

1 may be affected by future events or capital requirements of the Reorganized Debtors and that their
2 equity ownership in the Reorganized Debtors on the Effective Date may be subsequently diluted. An
3 entity's proportional equity ownership in the Reorganized Debtors likewise could be diluted in the event
4 that the Reorganized Debtors implement a management and director equity incentive program.

5 **7. A Small Number of Holders or Voting Blocks May Control the**
6 **Reorganized Debtors.**

7 The Plan provides for the issuance of New Membership Interests in Reorganized LLV
8 Holdco to the Pre-Petition Lender Group who will, after the Effective Date, hold all the equity
9 interests in Reorganized LLV Holdco. Those holders will exercise a controlling influence over the
10 businesses and affairs of the Reorganized Debtors, have the power to elect directors, approve
11 significant mergers or other material corporate transactions or the sale of all or substantially all of
12 the assets of the Reorganized Debtors. In addition, one entity or group of entities will have a
13 majority of shares or voting power of the New Membership Interests in Reorganized LLV Holdco.

14 **8. Certain Tax Implications of the Debtors' Bankruptcy and Reorganization**
15 **May Increase the Tax Liability of the Reorganized Debtors.**

16 Holders of Claims and Interests should carefully review Section XIV hereof to determine
17 how the tax implications of the Plan and the Cases may adversely affect the Reorganized Debtors.

18 **C. Risk Factors Associated with the Debtors' Business Operations.**

19 **1. General Homebuilder Industry Downturn.**

20 Since 2006, the homebuilding industry has experienced a significant and sustained decrease
21 in demand for new homes, an oversupply of new and existing homes available for sale and a more
22 restrictive mortgage lending environment. Reflecting these trends, the homebuilders that have
23 traditionally purchased land from the Debtors have experienced the impact of severe liquidity
24 challenges in the credit and mortgage markets, diminished consumer confidence, increased home
25 inventories and foreclosures and downward pressure on home prices. All of this has led to
26 diminished demand and ability on the part of these homebuilders to purchase additional land for
27 development within the Project. This downturn in the homebuilding market may continue for an
28

1 indefinite period. Continued weakness in the homebuilding market would have a further adverse
2 effect on the Debtors' business and results of operations as compared to those of earlier periods.

3 **2. Fluctuations in Market Conditions.**

4 The Debtors face the risk that demand for housing may decline further or that the costs of
5 labor or materials may increase in the future, in which case the Debtors may not be able to sell their
6 remaining undeveloped real property to homebuilders at expected prices or profit margins or within
7 anticipated time frames. Furthermore, the performance of the local economy may affect the value of
8 the Debtors' real property. The economy in Clark County, Nevada is heavily dependent on the
9 service industry (including tourism), construction, government/military and businesses specializing
10 in hotels and gaming. Unexpected delays in the Debtors' ability to sell real property could adversely
11 affect performance. If the current downturn in the housing market continues, these effects may
12 continue, which could have a continuing material adverse impact on the Debtors' businesses.

13 **3. Ability to Recoup Costs.**

14 In accordance with the Debtors' business model, the Debtors incur many costs on projects
15 within the Project in advance of payment. These costs range from the costs of developing land and
16 installing roads, sewage and other utilities to taxes and other costs related to ownership of the land.
17 The Debtors recover these costs through the sale of land to homebuilders and through payment from
18 the LIDs. Fewer land sales to homebuilders may extend the length of time it takes the Debtors to
19 recover these costs. In certain circumstances, there is a risk that the Debtors may not be able to
20 recover these costs at all—for instance, if it is determined that a construction project is not
21 sufficiently in compliance with the terms of the LIDs so as to give rise to a right to payment.

22 **4. Dependence on Contractors and Subcontractors.**

23 The Debtors' construction work is performed by contractors and subcontractors. As a result,
24 insufficient availability of, or unsatisfactory performance by, these unaffiliated third-party
25 contractors and subcontractors could have a material adverse effect on the Debtors' businesses.

1 **5. Ability to Retain and Motivate Key Employees.**

2 The Debtors' overall success is largely dependent on the skills, experience and efforts of the
3 Debtors' employees, particularly senior management. The loss of key personnel could have a
4 material adverse effect upon the Debtors' business and their ability to reorganize successfully.

5 **6. Supply Risks; Labor and Materials Shortages.**

6 The Debtors' businesses from time to time have experienced significant difficulties with
7 respect to: shortages of qualified trades people and other labor; inadequately capitalized local
8 subcontractors; shortages of materials; and volatile increases in the cost of certain materials
9 associated with the rapid rise in the cost of oil, energy, and other factors. These difficulties can
10 cause unexpected short-term increases in construction costs and construction delays. The Debtors'
11 prospective ability to offset sustained increases in the costs of materials is likely limited.

12 **7. Effect of Competition Within the Debtors' Businesses.**

13 The Debtors' businesses are dependent on the demand of individuals to purchase homes
14 within the Project. In this respect, the Debtors compete with numerous other developers throughout
15 the country. Likewise, the Debtors compete locally with general contractors and landowners for
16 labor and materials. Some of these competitors have greater financial resources, more experience,
17 more established market positions, and lower costs of capital, labor and material than the Debtors.
18 Thus, these competitors may be better able to withstand market conditions in the Debtors' industry.

19 There can be no assurance that the Debtors will be able to compete successfully for
20 homebuyers, raw materials and skilled subcontractors, or that the Debtors will not face increased
21 competition in the future. Competitive conditions in the Debtors' industry could have a materially
22 adverse effect on the Debtors' businesses, financial conditions and results of operations, including
23 but not limited to: increased costs, including selling and marketing expenses, with reduced revenues
24 and/or profit margins; necessity of increasing selling commissions and other incentives; delays in
25 construction arising from delays in procuring materials or hiring laborers; and lower sales volumes.

26 **8. Governmental Regulations.**

27 Various aspects of the Debtors' business operations are subject to laws and governmental
28 regulations that may delay, increase the cost of, prohibit or severely restrict their development

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

1 projects within the Project. These include laws and regulations regarding, among other matters: land
2 development, including laws and regulations related to zoning, permitted land uses, and levels of
3 density; workers health and safety; and environmental protection. The Debtors must also obtain
4 permits and approvals from local authorities to complete development or construction. The laws and
5 regulations under which the Debtors and their subcontractors operate, and their obligations to
6 comply with such laws and regulations, may result in delays in construction and development, cause
7 the Debtors to incur substantial compliance and other increased costs, and prohibit or severely
8 restrict development and construction activity in areas of the Project.

9 **9. Leverage.**

10 On and after the Effective Date, the Reorganized Debtors will have certain obligations, *inter*
11 *alia*, under the Exit Operating Facility and the Mechanics' Lien Notes. The Reorganized Debtors'
12 ability to meet these and other obligations under the Plan, when and as payments thereunder become
13 due and payable, will depend on the Debtors' future performance, which in turn will be subject to
14 general economic conditions and to financial, business and other factors affecting operations,
15 including factors beyond management's reasonable control.

16 **10. Inherent Uncertainty in the Projections.**

17 The Projections set forth in Exhibit 7 to this Disclosure Statement cover the Reorganized
18 Debtors' operations for the 24-month period following the projected Effective Date. Projections are
19 forward looking statements based on the Debtors' current views and assumptions and, as a result, are
20 subject to risks and uncertainties, including those described herein, which may be outside of the
21 Debtors' or the Reorganized Debtors' control and which may cause actual results to differ materially
22 from those projected. These Projections are based on certain assumptions, including confirmation
23 and consummation of the Plan in accordance with its terms, the anticipated future performance of the
24 Reorganized Debtors, industry performance, general business and economic conditions, the
25 regulatory environment, and other matters, many of which are beyond the Debtors' or the
26 Reorganized Debtors' control. Some or all of the foregoing assumptions may not materialize.

1 **D. Risk Factors Associated with the T-16 LID Trust.**

2 The ability of the T-16 LID Trust to make the contemplated payments to T-16 LID Vendors
3 is dependant on a number of factors outside the Reorganized Debtors' and the T-16 LID Trust's
4 control. First, if the T-16 LID Trust is unsuccessful in establishing, through litigation or agreement,
5 that the lien of LID Acquisition is subject to subordination or disallowance, then the payments that
6 the T-16 LID Trust receives from the City of Henderson pursuant to its acquisition agreement and
7 would otherwise be used to pay outstanding accounts payable to T-16 LID Vendors for the
8 completed work on the T-16 LID pursuant to the X-West Approved Model and, if applicable, the
9 X-East Approved Model and the Remainder Segments Approved Model, may be subject to the
10 senior liens of LID Acquisition. This may mean that the T-16 LID Trust would have to satisfy the
11 senior claims of LID Acquisition, of approximately \$8,050,000, before being able to pay T-16 LID
12 Vendors any amount on account of their T-16 LID Payment Claims. It is doubtful in such a case
13 whether T-16 LID Vendors would receive anything on account of their T-16 LID Payment Claims.

14 Second, the actual expenses of post-Effective Date goods and services incurred by the T-16
15 LID Trust for work on the T-16 LID could exceed the projected expenses under the X-West
16 Approved Model, the X-East Approved Model, and the Remainder Segments Approved Model.
17 Were this to happen, the T-16 LID Trust would likely have either insufficient funds to pay T-16 LID
18 Vendors the amounts owed under the Plan or insufficient funds to complete the remaining work
19 under the X-West Approved Model, X-East Approved Model, and the Remainder Segments
20 Approved Model. Even if actual expenses remain in line with the projections, delays in completing
21 work on the T-16 LID could result in payments from the City of Henderson to the T-16 LID Trust
22 being received more slowly, forestalling the T-16 LID Trust's ability to pay T-16 LID Vendors
23 within the projected timelines, possibly delaying the completion of pending and future T-16 LID
24 projects. In addition, delays could increase the cost of financing, which could reduce the T-16 LID
25 Trust's ability to pay T-16 LID Vendors the amounts contemplated under the Plan. Moreover, to the
26 extent that the work on the T-16 LID has not been completed by the maturity date of the T-16 LID
27 Payment Trust Credit Agreement, absent sufficient funds on hand, the T-16 LID Trust may not be
28 able to complete further work on the T-16 LID in the absence of another source of financing.

1 Finally, the City of Henderson may decline to acquire completed T-16 LID segments and pay
 2 the T-16 LID Trust if, for instance, the work completed fails to comply with the T-16 LID
 3 specifications set forth in the agreements between the Debtors and the City of Henderson. The City
 4 of Henderson and bondholders may be unwilling to agree to proposed modifications to the projects
 5 contemplated under the T-16 LID, and may consider other remedies as outlined in the indenture
 6 agreements. In the worst case, the bondholders may look to collapse the T-16 LID bond and have all
 7 remaining LID Funds held in trust returned to the bondholders, meaning that there would no longer
 8 be a source of funds for payments under the T-16 LID, rather than permit the T-16 LID Trust to
 9 perform work on the T-16 LID according to a different plan. At minimum, this could result in costly
 10 litigation and delays in payment to T-16 LID Vendors and delays in further work on the T-16 LID.
 11 Even if the City of Henderson, bondholders and the T-16 LID Trust, however, are in agreement on
 12 the work to be performed, to the extent that the City of Henderson and bondholders believe that it is
 13 taking too much time to complete that work, they could look to collapse the T-16 LID bond.

14 XIII.

15 ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

16 A. Liquidation Under Chapter 7.

17 If no plan of reorganization can be confirmed or the Effective Date does not occur, the Cases
 18 may be converted to cases under chapter 7 of the Bankruptcy Code, in which case a trustee or
 19 trustees would be elected or appointed to liquidate the assets of the Estates for distribution in
 20 accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a
 21 chapter 7 liquidation would have on the recoveries of the holders of Claims and Interests is set forth
 22 in Section XI and in the liquidation analysis included in this Disclosure Statement at Exhibit 8. As
 23 noted therein, the Debtors believe that in a liquidation under chapter 7, there would likely be no
 24 assets available to distribute to the holders of Allowed General Unsecured Claims.

25 B. Alternative Plans.

26 If the Plan is not confirmed or the Effective Date does not occur, the Debtors (or any other
 27 party in interest) could attempt to formulate a different plan. Such a plan could potentially involve a
 28 reorganization and continuation of the Debtors' businesses, or an orderly liquidation of the assets of

1 the Estates. During the Cases, the Debtors explored various alternatives in connection with the
2 formulation and development of the Plan described herein. The Debtors believe that the Plan
3 enables creditors to realize a greater value under the circumstances. In a liquidation under
4 chapter 11, the assets of the Estates would likely be sold in an orderly fashion over a more extended
5 time period than a liquidation under chapter 7, possibly resulting in indeterminately greater
6 recoveries than would be obtained in chapter 7, although there would likely still be no assets
7 available to distribute to the holders of Allowed General Unsecured Claims.

8 **XIV.**

9 **TAX CONSEQUENCES OF THE PLAN**

10 The following discussion is a summary of certain U.S. federal income tax consequences
11 expected to result from the implementation of the Plan. This discussion is based on the Tax Code, as
12 in effect on the date of this Disclosure Statement and on U.S. Treasury Regulations in effect (or in
13 certain cases, proposed) on the date of this Disclosure Statement, as well as judicial and
14 administrative interpretations thereof available on or before such date. All of the foregoing are
15 subject to change, which change could apply retroactively and could affect the tax consequences
16 described below. There can be no assurance that the Internal Revenue Service (the "IRS") will not
17 take a contrary view with respect to one or more of the issues discussed below, and no opinion of
18 counsel or ruling from the IRS has been or will be sought with respect to any issues which may arise
19 under the Plan.

20 The following summary is for general information only and discusses certain U.S. federal
21 income tax consequences of the Plan to the Debtors, the "U.S. Holders" of Allowed Claims, and the
22 U.S. Holders of New Membership Interests and the notes (the "Notes") issued as a result of the Plan.
23 For purposes of this summary, a "U.S. Holder" is a beneficial owner of the Allowed Claims, New
24 Membership Interests or Notes that, for U.S. federal income tax purposes, is: (a) an individual who is
25 a citizen or resident of the United States; (b) a corporation (or other business entity treated as a
26 corporation) created or organized in or under the laws of the United States or any state thereof
27 (including the District of Columbia); (c) an estate the income of which is subject to U.S. federal
28 income taxation regardless of its source; or (d) a trust if such trust validly elects to be treated as a

1 United States person for U.S. federal income tax purposes, or if (I) a court within the United States is
2 able to exercise primary supervision over its administration and (II) one or more United States
3 persons have the authority to control all of the substantial decisions of such trust.

4 This summary does not purport to address all of the U.S. federal income tax consequences
5 that may be applicable to any particular holder. The tax treatment of a U.S. Holder of Allowed
6 Claims and U.S. Holders of the New Membership Interests and Notes, as the case may be, may vary
7 depending upon such holder's particular situation. The following discussion does not address state,
8 local or foreign tax considerations that may be applicable to the Debtors and the U.S. Holders of
9 Allowed Claims, New Membership Interests or Notes. This summary does not address tax
10 considerations applicable to holders that may be subject to special tax rules, such as financial
11 institutions, insurance companies, real estate investment trusts, regulated investment companies,
12 grantor trusts, dealers or traders in securities or currencies, tax-exempt entities, persons that hold an
13 equity interest or a security in a Debtor as a position in a "straddle" or as part of a "hedging,"
14 "conversion" or "integrated" transaction for U.S. federal income tax purposes, persons that have a
15 "functional currency" other than the U.S. dollar, persons who acquired an equity interest or a
16 security in a Debtor in connection with the performance of services and persons who are not U.S.
17 Holders.

18 If a partnership (or any other entity treated as a partnership for U.S. federal income tax
19 purposes) holds Allowed Claims, New Membership Interests or Notes, the tax treatment of a partner
20 in such partnership generally will depend on the status of the partner and the activities of the
21 partnership. Any such partner should consult its tax advisor as to its tax consequences.

22 **EACH HOLDER OF AN ALLOWED CLAIM IS URGED TO CONSULT ITS OWN**
23 **TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND**
24 **FOREIGN TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN. EACH**
25 **HOLDER OF NEW MEMBERSHIP INTERESTS OR NOTES SHOULD CONSULT ITS**
26 **OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND**
27 **FOREIGN TAX CONSEQUENCES OF THE RECEIPT, OWNERSHIP AND DISPOSITION**
28 **OF SUCH NEW MEMBERSHIP INTERESTS OR NOTES.**

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. TAX CODE. THIS DESCRIPTION IS LIMITED TO THE U.S. FEDERAL TAX ISSUES DESCRIBED HEREIN. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE U.S. FEDERAL TAX TREATMENT OF THE MATTER THAT IS THE SUBJECT OF THE DESCRIPTION NOTED HEREIN, AND THIS DESCRIPTION DOES NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. U.S. Federal Income Tax Consequences to the Debtors.

1. Tax Treatment of Debtors.

LLV Holdco has made an election to be treated as a corporation for U.S. federal income tax purposes and files a consolidated U.S. federal income tax return with its parent entity. The remaining Debtors are single member limited liability companies that are treated as disregarded entities for federal income tax purposes. As a result, all assets and liabilities of such Debtors are treated as assets and liabilities of LLV Holdco and all income and losses of such Debtors are treated as income and losses of LLV Holdco.

2. Cancellation of Debt Income.

LLV Holdco will generally realize cancellation of debt ("COD") income to the extent that its debt (or the debt obligation of a Debtor that is treated as a disregarded entity that is owned by LLV Holdco) is discharged for an amount less than the adjusted issue price of that debt creditor's Claim (which is generally the amount the Debtor received upon incurring the obligation with certain adjustments). The amount of consideration paid to discharge a debt generally equals the amount of

1 cash, the fair market value of property (including the fair market value of any equity interest), and/or
2 the issue price of any new debt instrument issued in satisfaction of the debt. The issue price of such
3 new debt instrument is determined under either Section 1273 or 1274 of the Tax Code. Generally,
4 these provisions treat the fair market value of a publicly-traded debt instrument as its issue price and
5 the stated principal amount of any other debt instrument as its issue price if its terms provide for
6 interest not less than the applicable federal rate.

7 Because the Debtors each will be debtors in a bankruptcy case at the time they realize COD
8 income, LLV Holdco will not be required to include such COD income in its gross income, but
9 rather will be required to reduce certain of its tax attributes by the amount of COD income so
10 excluded. Under the general rules of Section 108 of the Tax Code, the required attribute reduction
11 will be applied to reduce certain tax attributes of LLV Holdco, including net operating losses
12 ("NOLs"), tax credits and tax basis in assets (including assets of the other Debtors that are treated as
13 owned by LLV Holdco, as described above). Section 108(b)(5) of the Tax Code permits a taxpayer
14 to reduce first the basis of its depreciable property to the extent of such basis, with any excess
15 applied next to reduce its net operating losses, and then certain other tax attributes. LLV Holdco has
16 not yet determined the amount of COD or the amount of attribution or reductions. Nor, has it
17 determined whether it will make the election under Section 108(b)(5).

18 **3. Consequences to the Debtors of Exchanging Allowed Claims for Property** 19 **Other than Debt.**

20 Under the Plan, the Debtors may under certain circumstances satisfy certain Allowed Claims
21 for property other than its debt obligation or equity interest. To the extent a Debtor satisfies an
22 Allowed Claim by transferring other property to a creditor (including collateral securing the Claim),
23 the Debtor will be deemed to have sold such property at its fair market value and will recognize
24 taxable income in an amount equal to the difference between the fair market value of the property
25 and its adjusted basis in the property.

26 **4. Accrued Interest.**

27 To the extent that there exists accrued but unpaid interest on the indebtedness owing to
28 holders of Allowed Claims and to the extent that such accrued but unpaid interest has not been

1 deducted previously by LLV Holdco, portions of payments made in consideration for the
2 indebtedness underlying such Allowed Claims that are allocable to such accrued but unpaid interest
3 should be deductible by LLV Holdco. Any such interest that is not paid will not be deductible by
4 such Debtor and will not give rise to COD income.

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

11 **5. Utilization of LLV Holdco's Net Operating Loss Carryforwards.**

12 **a. Limitation on NOLs and Other Tax Attributes.**

13 Under Section 382 of the Tax Code, whenever there is a more than fifty percent ownership
14 change of a corporation during a three-year testing period, the ability of the corporation to utilize its
15 NOL carryovers and certain subsequently recognized built-in losses and deductions (collectively,
16 "Pre-Change Losses") to offset future taxable income may be subject to an annual limitation. The
17 issuance of New Membership Interests in Reorganized LLV Holdco to the holders of Pre-Petition
18 Lender Group Claims pursuant to the terms of the Plan will constitute an ownership change of
19 LLV Holdco for purposes of Section 382 of the Tax Code.

20 **b. General Section 382 Annual Limitation.**

21 In general, the amount of the annual limitation to which LLV Holdco would be subject is
22 equal to the product of (i) the fair market value of the equity interests of LLV Holdco immediately
23 before the ownership change (with certain adjustments) multiplied by (ii) the "long-term tax-exempt
24 rate" in effect for the month in which the ownership change occurs. Any unused limitation may be
25 carried forward, thereby increasing the annual limitation in the subsequent taxable year. However,
26 the annual limitation may be further reduced if Reorganized LLV Holdco (i) does not continue its
27 historic business or uses a significant portion of its assets in a new business for two years after the
28 ownership change or (ii) undergoes a second ownership change. In addition, if a loss corporation

1 has a "net unrealized built-in loss" beyond a certain minimum amount immediately before an
2 ownership change, then any built-in losses recognized during the five-year period following the
3 ownership change (up to the amount of the original net unrealized built-in loss) generally will be
4 treated as a Pre-Change Loss and will be subject to the annual limitation.

5 **c. Special Bankruptcy Exceptions.**

6 Section 382(l)(5) of the Tax Code provides an exception (the "Section 382(l)(5) Exception")
7 where the pre-bankruptcy equityholders and certain pre-bankruptcy creditors of a company in
8 bankruptcy receiving stock of the company in respect of their claims own at least 50% of the vote
9 and value of the stock of the reorganized debtor pursuant to a confirmed chapter 11 plan.
10 If Reorganized LLV Holdco qualifies for the Section 382(l)(5) Exception and does not elect out of
11 such exception, the annual limitation will not apply to Reorganized LLV Holdco's use of its Pre-
12 Change Losses. However, an additional ownership change within two years could result in
13 Reorganized LLV Holdco's Section 382 limitation being reduced to zero. In addition, Reorganized
14 LLV Holdco's Pre-Change Losses would be reduced by recomputing such losses as if no deduction
15 were allowable for the interest paid or accrued by the Debtors on indebtedness that was converted
16 into equity pursuant to the Plan during (i) the three taxable years preceding the taxable year in which
17 the ownership change occurs and (ii) the part of the taxable year during which the ownership change
18 occurs that precedes the date of such change. LLV Holdco has not yet determined whether it will
19 elect out of Section 382(l)(5).

20 If LLV Holdco elects out of Section 382(l)(5), then the exception under Section 382(l)(6) of
21 the Tax Code (the "382(l)(6) Exception") would be available. Under the 382(l)(6) Exception,
22 Reorganized LLV Holdco will calculate its annual limitation under Section 382 by taking into
23 account the increase in equity value of the old loss corporation resulting from any surrender or
24 cancellation of creditors' Claims pursuant to the Plan.

25 **B. Certain U.S. Federal Income Tax Consequences to the Holders of Allowed**
26 **Claims that Are Paid in Cash.**

27 A holder who receives cash in exchange for all or a portion of its Allowed Claim pursuant to
28 the Plan will generally recognize income, gain or loss for U.S. federal income tax purposes in an

1 amount equal to the difference between (i) the amount of cash received in exchange for all or the
2 portion of its Allowed Claim, and (ii) the holder's adjusted tax basis in its Allowed Claim that is
3 treated as exchanged for cash. Where a holder receives cash and other property in a fully taxable
4 exchange, the holder should consult its own tax advisor regarding the allocation of tax basis in the
5 Allowed Claim among the various types of consideration received. The character of such income,
6 gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of
7 factors, including the tax status of the holder, the nature of the Allowed Claim in such holder's
8 hands, whether the Allowed Claim constitutes a capital asset in the hands of the holder, whether the
9 Allowed Claim was purchased at a discount, and whether and to what extent the holder has
10 previously claimed a bad debt deduction with respect to its Allowed Claim. To the extent that any
11 amount received by a holder of an Allowed Claim is attributable to accrued interest not previously
12 included in the holder's income, such amount should be taxable to the holder as interest income.
13 Conversely, a holder of an Allowed Claim may be able to recognize a deductible loss (or, possibly, a
14 write-off against a reserve for worthless debts) to the extent that any accrued interest on the Allowed
15 Claims was previously included in the holder's gross income but was not paid in full by the Debtors.
16 Such loss should be ordinary. To the extent any amounts are paid to a Claim holder in such holder's
17 capacity as an employee and which for U.S. federal income tax purposes constitute wages, such
18 amounts will generally be treated for tax purposes as ordinary income and will be subject to
19 withholding by the Debtors.

20 **C. Certain U.S. Federal Income Tax Consequences to Holders of Allowed Claims**
21 **that Are Paid Using Consideration Other than Cash.**

22 The U.S. federal income tax consequences to holders of Allowed Claims that are paid using
23 consideration other than cash may vary depending upon, among other things: (i) the type of
24 consideration received by the holder in exchange for its Allowed Claim; (ii) the nature of the
25 indebtedness owing to the holder; (iii) whether the holder has previously claimed a bad debt
26 deduction in respect of such holder's Allowed Claim; and (iv) whether such Allowed Claim
27 constitutes a "security" for purposes of the reorganization provisions of the Tax Code (as described
28 below).

1 **1. Consequences of the Receipt and of Holding a Beneficial Interest in the**
2 **Creditor Trust.**

3 **a. Receipt of a Beneficial Interest in the Creditor Trust.**

4 The Debtors intend to treat the Creditor Trust as a grantor trust for U.S. federal income tax
5 purposes. As a result, holders of Claims who receive interests in the Creditor Trust are expected to
6 be treated as receiving a distribution from the Debtors of the Creditor Trust Assets and then
7 contributing those assets to the Creditor Trust. It is also expected that such holders will be treated as
8 the grantors and deemed owners of the Creditor Trust and will each therefore be treated as owning
9 their Pro Rata shares of the Creditor Trust Assets.

10 **b. Deemed Distribution of the Assets of the Creditor Trust.**

11 Other than with respect to holders of Pre-Petition Lender Group Claims, the treatment of
12 which will be as described below, a holder who receives a beneficial interest in the Creditor Trust
13 should recognize gain or loss in an amount equal to the difference between (i) the fair market value
14 of the assets deemed distributed to the holder, and (ii) the holder's adjusted basis in the portion of the
15 Claim that is treated as exchanged therefor.

16 To the extent that the holder has realized gain on the exchange, it can either recognize the
17 gain in the taxable year of the distribution, or it can defer the gain based on the application of the
18 installment method (provided that none of the exceptions to installment sale treatment apply) or the
19 open transaction doctrine. Reporting under either the installment method or the open transaction
20 doctrine would generally result in deferral of tax on such gain until such amounts are actually or
21 constructively received. However, the open transaction method of reporting is available only if the
22 fair market value of the holder's share of the assets distributed or deemed distributed to the holder in
23 satisfaction of its claim is not reasonably ascertainable as of the effective date of the chapter 11 plan.
24 The IRS has taken the position that the open transaction method is available only in rare and
25 extraordinary circumstances and, accordingly, could assert that the open transaction treatment is not
26 available. The rules relating to the availability and the application of the installment method and
27 open transaction doctrine are complex. Holders should consult with their tax advisors regarding the
28 availability of either of these methods and the application of such methods to their specific

1 situations, including the basis recovery rules and the potential application of an interest charge under
2 the installment sale method.

3 To the extent that the holder has realized a loss on the exchange, the holder may be precluded
4 from recognizing the loss until the taxable year that the final payment is made. Holders are urged to
5 consult their tax advisors regarding the limitations on the recognition of losses in these
6 circumstances.

7 To the extent any amounts are deemed distributed to a Claim holder in such holder's capacity
8 as an employee and which for U.S. federal income tax purposes constitute wages, such amounts will
9 generally be treated for tax purposes as ordinary income and will be subject to withholding by the
10 Debtors.

11 **c. Consequences of Holding an Interest in the Creditor Trust.**

12 As noted above, assuming that the Creditor Trust is treated as a grantor trust for U.S. federal
13 income tax purposes, the holders of interests in the Creditor Trust will be treated as owning their Pro
14 Rata share of the Creditor Trust Assets and will be required to include on their U.S. federal income
15 tax return their Pro Rata share of the income, gains, losses, deductions, and credits of the trust that is
16 reported to them on the Schedule K-1 issued to them by the trust. The trust is required to file Form
17 1041, *U.S. Income Tax Return for Estates and Trusts*, with the IRS, reporting its income, gains,
18 losses, deductions, and credits, as applicable, as well as the allocation of each beneficiary's share of
19 the reported trust items (Schedule K-1).

20 **d. Consequences to the Debtors.**

21 The U.S. federal income tax consequences to the Debtors upon the deemed distribution of the
22 Creditor Trust Assets will be as described above under the heading "*Consequences to the Debtors of*
23 *Exchanging Allowed Claims for Property Other than Debt.*"

24 **2. Consequences of Exchanging Pre-Petition Lender Group Claims for New**
25 **Membership Interests, Warrants, and Beneficial Interests in the Creditor**
26 **Trust.**

27 Since LLV Holdco has made an election to be treated as a corporation for federal income tax
28 purposes, the federal income tax consequences of the receipt of the New Membership Interests,
warrants, and beneficial interests in the Creditor Trust in exchange for Pre-Petition Lender Group

1 Claims will depend on whether such Claims are treated as "securities" for tax purposes. If such
2 Claims are treated as "securities," the exchange should be treated as a recapitalization and therefore
3 as a reorganization under the Tax Code. If not, a holder should be treated as exchanging its
4 Pre-Petition Lender Group Claims for New Membership Interests, warrants, and beneficial interests
5 in the Creditor Trust in a fully taxable exchange.

6 The determination of whether an Allowed Claim constitutes a "security" depends upon the
7 nature of the indebtedness or obligation. Important factors to be considered include, among other
8 things, the length of time to maturity and the purpose of the borrowing. Generally, corporate debt
9 instruments that mature within five years of issuance are not considered "securities" and corporate
10 debt instruments that mature ten years or more from the time of issuance are considered "securities."
11 Whether a debt instrument with a term of five or more, but less than ten, years is a security is
12 unclear. Allowed Claims for accrued interest generally are not considered "securities." Holders of
13 Pre-Petition Lender Group Claims should consult their own tax advisors regarding whether such
14 Claims, and the New Membership Interests and warrants received in exchange therefor, constitute
15 "securities" for these purposes.

16 Assuming the Pre-Petition Lender Group Claims are treated as "securities" for tax purposes,
17 and the exchange is therefore treated as a recapitalization under the Tax Code, a holder of a
18 Pre-Petition Lender Group Claim will recognize gain, but not loss, equal to the lesser of (i) the
19 excess (if any) of (A) the fair market value of the New Membership Interests, warrants, and Creditor
20 Trust Assets distributed, or deemed distributed, in the exchange, over (B) the holder's adjusted basis
21 in the Pre-Petition Lender Group Claim exchanged therefor, and (ii) the fair market value of the
22 Creditor Trust Assets deemed distributed in the exchange. Such gain should be capital gain and
23 should be long-term capital gain if the Pre-Petition Lender Group Claims were capital assets and
24 held for more than one year by the holder. In addition, a holder of a Pre-Petition Lender Group
25 Claim will recognize income on account of any portion of the New Membership Interests, warrants,
26 and Creditor Trust Assets that is treated as received on account of accrued and unpaid interest that
27 has not been included in income by the holder. Except for the portion of consideration that may be
28 allocated to such interest, a holder should obtain a tax basis in the New Membership Interests and

1 warrants equal to the tax basis of the Pre-Petition Lender Group Claim exchanged therefor and a
2 holding period that includes the holding period for the Pre-Petition Lender Group Claim. A holder
3 of a Pre-Petition Lender Group Claim should obtain a tax basis in the Creditor Trust Assets deemed
4 distributed in the exchange equal to the fair market value of such assets as of the Effective Date and
5 should have a holding period in such assets that begins on the day following the Effective Date.

6 If the exchange qualifies as a recapitalization, to the extent that the holder is required to
7 recognize gain on the exchange it can either recognize the gain in the taxable year of the distribution,
8 or it can defer the gain based on the application of the installment method or the open transaction
9 doctrine, as described above and subject to the same limitations. Under proposed Treasury
10 regulations, if the holder elects to defer the gain under the installment sale method, the holder must
11 allocate the basis of the Pre-Petition Lender Group Claims surrendered in the exchange to the New
12 Membership Interests and warrants received in the exchange in an amount equal to the fair market
13 value of such New Membership Interests and warrants. Any basis remaining in the Pre-Petition
14 Lender Group Claims must be allocated to the Creditor Trust Assets deemed distributed in the
15 exchange.

16 If the Pre-Petition Lender Group Claims are not treated as "securities," a holder should be
17 treated as exchanging its Pre-Petition Lender Group Claims for New Membership Interests, warrants
18 and its Pro Rata share of Creditor Trust Assets in a fully taxable exchange. In that case, the holder
19 should recognize gain or loss equal to the difference between (i) the fair market value of the New
20 Membership Interests, warrants, and Creditor Trust Assets received, or deemed received, as of the
21 Effective Date that is not allocable to accrued interest, and (ii) the holder's tax basis in the
22 Pre-Petition Lender Group Claims exchanged therefor (other than basis attributable to accrued
23 interest). Such gain or loss should be capital gain or loss and should be long-term capital gain or
24 loss if the Pre-Petition Lender Group Claims were capital assets and held for more than one year by
25 the holder. Any gain or loss recognized which is attributable to the deemed distribution of the
26 Creditor Trust Assets will be subject to the rules regarding the installment sale method and open
27 transaction doctrine, as described above under "*Deemed Distribution of the Assets of the Creditor*
28 *Trust.*" To the extent that a portion of the New Membership Interests, warrants, and beneficial

1 interest in the Creditor Trust received in the exchange is allocable to accrued interest, the holder may
2 recognize ordinary income to the extent not previously included in income. A holder's tax basis in
3 the New Membership Interests, warrants, and Pro Rata share of the Creditor Trust Assets should be
4 equal to the fair market value of such New Membership Interests, warrants, and Creditor Trust
5 Assets as of the Effective Date. A holder's holding period for the New Membership Interests,
6 warrants, and Creditor Trust Assets should begin on the day following the Effective Date.

7 **3. Consequences of Exchanging an Existing Debt Obligation Solely for a** 8 **New Debt Obligation.**

9 In general, a "significant modification" of an existing debt instrument, whether effected
10 pursuant to an amendment to the terms of a debt instrument or an actual exchange of an existing debt
11 instrument for a new debt instrument, will be treated as an exchange of the existing debt instrument
12 for a new debt instrument (or a new debt instrument and warrants) for U.S. federal income tax
13 purposes. A modification will be considered "significant" if, based on all of the facts and
14 circumstances (and, subject to certain exceptions, taking into account all modifications of the debt
15 instruments collectively), the legal rights or obligations that are altered and the degree to which they
16 are altered are economically significant. By way of illustration, relevant U.S. Treasury Regulations
17 provide that, in the case of fixed rate debt instruments, there is a significant modification if the yield
18 on the modified debt instrument differs from the yield on the unmodified debt instrument by more
19 than the greater of $\frac{1}{4}$ of 1 percent or 5% of the annual yield of the unmodified debt instrument. By
20 way of further illustration, such regulations also provide that, under certain circumstances, a
21 modification that changes the security or credit enhancement of a debt instrument is a significant
22 modification.

23 If an exchange of old debt for new debt does not constitute a "significant modification," then
24 a holder should not recognize any gain or loss for federal income tax purposes as a result of the
25 exchange, and such holder should continue to have the same tax basis and holding period with
26 respect to the new debt as it had in the old debt prior to the exchange.

27 If an exchange of old debt for new debt does constitute a "significant modification," the
28 exchange may constitute either (i) a tax-free recapitalization or (ii) a taxable exchange. The

1 exchange is a tax-free recapitalization if both the old debt instrument and the new debt instruments
2 are treated as "securities" for U.S. federal income tax purposes (see discussion above as to what
3 constitutes a "security").

4 If the deemed exchange is a tax-free recapitalization, then a holder will not recognize a loss
5 and a holder will only recognize a gain to the extent that the principal amount of the new debt
6 instrument exceeds the principal amount of the old debt instrument. To the extent that a portion of
7 the new debt instrument is allocable to accrued and unpaid interest, a holder may recognize ordinary
8 income to the extent such interest was not previously included in income. Except for the portion of
9 any new debt instrument allocated to such interest, the holder will have initial tax basis in the new
10 debt instrument received in the deemed exchange equal to the holder's tax basis in the old debt
11 instrument deemed exchanged therefor immediately prior to the deemed exchange, and the holder's
12 holding period for the new debt instrument will include the period during which the holder held the
13 old debt instrument deemed surrendered in the deemed exchange.

14 If the deemed exchange is not treated as a tax-free recapitalization, then a holder generally
15 will recognize gain or loss on such deemed exchange in an amount equal to the difference, if any,
16 between (i) the issue price of the new debt instruments as determined under Section 1273 or 1274 of
17 the Tax Code and (ii) the holder's adjusted tax basis in the old debt instruments. Any gain or loss
18 recognized in a taxable exchange generally will be capital gain or loss if the underlying claim was a
19 capital asset and will be long-term capital gain or loss if, at the time of the deemed exchange, the old
20 debt instruments have been held for more than one year. However, holders may not be allowed to
21 recognize currently any loss resulting from the deemed exchange if the deemed exchange is treated
22 as involving "substantially identical" properties and thus is a "wash sale" within the meaning of
23 Section 1091 of the Tax Code.

24 **4. Consequences of Exchanging an Existing Debt Obligation Solely for New** 25 **Membership Interests.**

26 The federal income tax consequences of the exchange of an existing debt obligation solely
27 for New Membership Interests will depend on whether the existing debt obligation is treated as a
28 "security" for tax purposes (as described above). If such existing debt obligation is treated as a

1 "security," the exchange should be treated as a recapitalization and therefore as a reorganization
2 under the Tax Code. If not, a holder should be treated as exchanging its existing debt obligation for
3 New Membership Interests in a fully taxable exchange.

4 Assuming the existing debt obligation is treated as a "security" for tax purposes, and the
5 exchange is therefore treated as a recapitalization under the Tax Code, a holder of an existing
6 obligation will not recognize gain or loss in the exchange.

7 If the existing debt obligation is not treated as a "security," a holder should be treated as
8 exchanging its existing debt obligation for New Membership Interests in a fully taxable exchange.
9 In that case, the holder should recognize gain or loss equal to the difference between (i) the fair
10 market value of the New Membership Interests received as of the Effective Date that is not allocable
11 to accrued interest, and (ii) the holder's tax basis in the existing debt obligation exchanged therefor
12 (other than basis attributable to accrued interest). Such gain or loss should be capital gain or loss
13 and should be long-term capital gain or loss if the existing debt obligation was a capital asset and
14 held for more than one year by the holder. To the extent that a portion of the New Membership
15 Interests received in the exchange is allocable to accrued interest, the holder may recognize ordinary
16 income to the extent not previously included in income. A holder's tax basis in the New
17 Membership Interests should be equal to the fair market value of such New Membership Interests as
18 of the Effective Date. A holder's holding period for the New Membership Interests should begin on
19 the day following the Effective Date.

20 **5. Consequences of Exchanging Allowed Claims for Consideration that Is**
21 **Not Debt of the Debtor or New Membership Interests.**

22 Where a creditor's Allowed Claim is a debt instrument that is exchanged for property that is
23 not debt of the Debtor or New Membership Interests (*e.g.*, holders of Secured Claims receiving a
24 return of collateral securing the debt), the creditor will generally recognize income, gain or loss for
25 U.S. federal income tax purposes in an amount equal to the difference between (i) the fair market
26 value of property received in exchange for its Allowed Claim, and (ii) the holder's adjusted tax basis
27 in its Allowed Claim.
28

1 **6. Reinstatement of Existing Debt Instruments.**

2 Holders of Secured Claims generally should not recognize gain, loss or other taxable income
3 upon the reinstatement of their Secured Claims under the Plan, provided the reinstatement is not a
4 substantial modification of the terms of the Secured Claims. Taxable income, however, may be
5 recognized by those holders if they are considered to receive interest, damages or other income in
6 connection with the reinstatement, or if the reinstatement is considered for tax purposes to involve a
7 significant modification of the Secured Claims. If a reinstatement of the Secured Claims constitutes
8 a significant modification and thus an exchange for federal income tax purposes, the tax
9 consequences will be the same as that discussed above under "*Consequences of Exchanging as*
10 *Existing Debt Obligation for a New Debt Obligation.*"

11 **7. Consequences of the Receipt and of Holding a Beneficial Interest in the**
12 **T-16 LID Trust.**

13 Pursuant to the terms of the Plan, certain creditors will receive a beneficial interest in the
14 T-16 LID Trust. The Debtors intend to treat the T-16 LID Trust as a partnership for U.S. federal
15 income tax purposes. To the extent they receive beneficial interests in the T-16 LID Trust, creditors
16 should be treated as receiving a distribution from the Debtors of the T-16 LID Trust Assets and then
17 contributing those assets to the T-16 LID Trust in exchange for an interest therein, which is expected
18 to be treated as a partnership interest for tax purposes. As a partnership, taxable income of the T-16
19 LID Trust will be computed at the entity level. However, each of the creditors who receives a
20 beneficial interest in the T-16 LID Trust will be taxed separately on its distributive share of income,
21 gain, loss, deduction, and/or credit, as applicable, whether or not any cash or property is actually
22 distributed. The character of the items included in taxable income will be determined at the entity
23 level with no regard to the creditors' individual characteristics. A partnership is generally not
24 allowed to maintain certain tax attributes, such as net operating losses, given such entities are not
25 directly taxable. Accordingly, these tax attributes will pass through to the creditors who own
26 beneficial interests in the T-16 LID Trust, and usage, carryback, or carryforward of these attributes
27 will be determined at the owner level.
28

1 The U.S. federal income tax consequences to the Debtors upon the deemed distribution of the
2 T-16 LID Trust Assets will be as described above under the heading, "*Consequences to the Debtors*
3 *of Exchanging Allowed Claims for Property Other than Debt.*"

4 **8. Accrued but Unpaid Interest.**

5 In general, to the extent a holder of a debt instrument receives cash or property in satisfaction
6 of interest accrued during the holding period of such instrument, the amount of such cash or the
7 value of such property will be taxable to the holder as interest income (if not previously included in
8 the holder's gross income). Conversely, such holder may recognize a deductible loss to the extent
9 that any accrued interest claimed or amortized original issue discount was previously included in its
10 gross income and is not paid. The extent to which cash or property received by a holder of a debt
11 instrument will be attributable to accrued but unpaid interest is unclear. Pursuant to the Plan, all
12 distributions in respect of any Allowed Claim will be allocated first to the principal amount of such
13 Allowed Claim, and thereafter, to the extent permitted under the Bankruptcy Code, to accrued but
14 unpaid interest, if any. However, it is unclear whether such allocation will be respected for tax
15 purposes. Certain legislative history indicates that an allocation of consideration between principal
16 and interest provided in a bankruptcy plan of reorganization generally is binding for U.S. federal
17 income tax purposes. However, regulations issued by the IRS require, in general, that payments
18 made on a debt instrument first be allocated to unpaid interest and original issue discount.

19 Each holder of an Allowed Claim is urged to consult its tax advisor regarding the inclusion in
20 income of amounts received in satisfaction of accrued but unpaid interest, the allocation of
21 consideration between principal and interest, and the deductibility of previously included unpaid
22 interest for tax purposes.

23 **9. Market Discount.**

24 If a holder of an Allowed Claim purchased the underlying security or debt obligation at a
25 price less than its adjusted issue price, the difference would constitute "market discount" for U.S.
26 federal income tax purposes. Any gain recognized by a holder on the exchange of its Allowed Claim
27 on the Effective Date should be treated as ordinary income to the extent of any market discount
28 accrued on the underlying securities or debt obligation by the holder on or prior to the date of the

1 exchange. Any additional accrued but unrecognized market discount should carry over to any
2 "securities" (as described above) or debt obligation received in a tax-free exchange pursuant to the
3 Plan, and should be allocated among such securities or debt obligation based upon their relative fair
4 market values as of the Effective Date. Any gain recognized by such holder on a subsequent
5 disposition of such securities or debt obligation received under the Plan may be treated as ordinary
6 income to the extent of such accrued but unrecognized market discount.

7 **D. Consequences of Ownership of New Membership Interests and Notes Issued**
8 **Pursuant to the Plan.**

9 The following is a description of the principal U.S. federal income tax consequences that
10 may be relevant with respect to the ownership and disposition of the New Membership Interests and
11 the Notes. This discussion addresses only the U.S. federal income tax considerations of U.S.
12 Holders that will receive New Membership Interests or Notes under the Plan and that will hold such
13 New Membership Interests or Notes as capital assets.

14 **1. Consequences of Ownership of New Membership Interests Issued**
15 **Pursuant to the Plan.**

16 **a. Distributions.**

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

26 A distribution in excess of Reorganized LLV Holdco's current and accumulated earnings and
27 profits will first be treated as a return of capital to the extent of the holder's adjusted basis in the New
28 Membership Interests and will be applied against and reduce such basis. To the extent that such

1 distribution exceeds the holder's adjusted basis in its New Membership Interests, the distribution will
2 be treated as capital gain, which will be treated as long-term capital gain if such holder's holding
3 period in its New Membership Interests exceeds one year as of the date of the distribution. Long-
4 term capital gains may be eligible for reduced rates of taxation.

5 **b. Sale or Exchange of New Membership Interests.**

6 For U.S. federal income tax purposes, a holder generally will recognize capital gain or loss
7 on the sale, exchange, or other taxable disposition of any of its New Membership Interests in an
8 amount equal to the difference, if any, between the amount realized for the New Membership
9 Interests and the holder's adjusted tax basis in the New Membership Interests (except to the extent of
10 market discount on existing notes that is carried over to the New Membership Interests). Capital
11 gains of non-corporate holders derived with respect to a sale, exchange, or other disposition of New
12 Membership Interests held for more than one year may be eligible for reduced rates of taxation. The
13 deductibility of capital losses is subject to limitations.

14 **2. Consequences of Ownership of Notes Issued Pursuant to the Plan.**

15 **a. Interest.**

16 It is expected that the Notes will not be issued with original issue discount. Interest paid on
17 the Notes will be includible in a holder's gross income as ordinary interest income in accordance
18 with the holder's usual method of tax accounting.

19 **b. Sale, Exchange or Retirement of Notes.**

20 Upon the sale, exchange or retirement of a Note, a holder will recognize taxable gain or loss
21 equal to the difference, if any, between the amount realized on the sale, exchange or retirement,
22 other than accrued but unpaid interest which will be taxable as such, and the holder's adjusted tax
23 basis in the Note. Subject to the application of the market discount rules (discussed above), any such
24 gain or loss will be capital gain or loss provided that the Notes constitute capital assets in the hands
25 of the holders. Capital gains of non-corporate holders derived with respect to a sale, exchange, or
26 other disposition of Notes held for more than one year may be eligible for reduced rates of taxation.
27 The deductibility of capital losses is subject to limitations.
28

1 **E. Backup Withholding Tax and Information Reporting Requirements.**

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

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

19 **THE ABOVE SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL**
20 **PURPOSES ONLY. ALL HOLDERS OF ALLOWED CLAIMS, NEW MEMBERSHIP**
21 **INTERESTS OR NOTES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS**
22 **WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX**
23 **CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN.**

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000

XV.

RECOMMENDATION AND CONCLUSION

The Debtors and the Creditors' Committee believe that Plan confirmation and implementation are preferable to any feasible alternative. Accordingly, the Debtors and the Creditors' Committee urge entities who hold impaired Claims to vote to accept the Plan by checking the box marked "Accept" on their Ballots and then returning the Ballots as directed in the Plan and Disclosure Statement.

DATED: September 4, 2009

Lake at Las Vegas Joint Venture, LLC
and its Chapter 11 Affiliates

By: Frederick E. Chin
Their: President and Chief Executive Officer

Official Committee of Creditors Holding Unsecured
Claims

By: John Cork
Their: Chairman

SUBMITTED BY:

/s/ David M. Guess
David M. Guess, an Attorney with
KLEE, TUCHIN, BOGDANOFF & STERN LLP
Reorganization Counsel for
Debtors and Debtors in Possession

KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 AVENUE OF THE STARS, 39TH FLOOR
LOS ANGELES, CALIFORNIA 90067-6049
TELEPHONE: (310) 407-4000