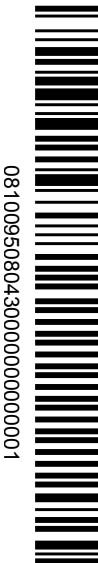


**KIMBALL HILL**  
HOMES®



**Presentation to Unsecured Creditors**

**April 30, 2008**



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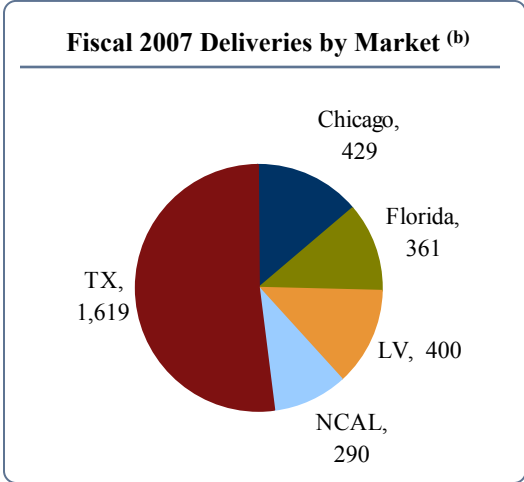
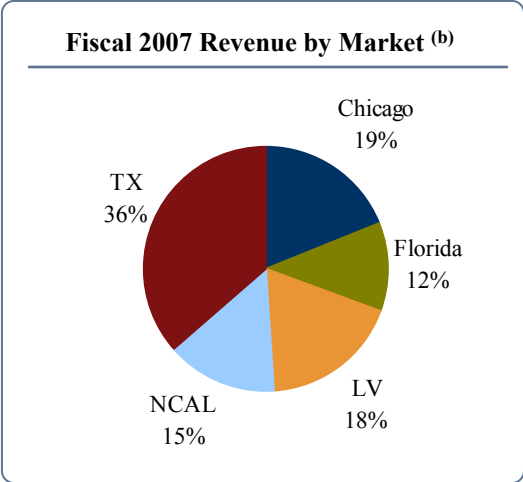


# Kimball Hill Overview



# Overview

- ❖ Founded in 1969 and headquartered in Rolling Meadows, Illinois, Kimball Hill, Inc (“Kimball Hill” or the “Company”) is a top 25 U.S. Homebuilder <sup>(a)</sup>.
- ❖ In Fiscal 2007, the Company delivered 3,246 homes and reported homebuilding revenue of approximately \$895 million as compared to 4,079 deliveries and homebuilding revenue of approximately \$1.16 billion in Fiscal 2006.
- ❖ Like other homebuilders, the Company has been dramatically impacted by the deterioration of the residential real estate market; however, Kimball Hill has continued to maintain its reputation as a high quality homebuilder.
  - The Company has recently experienced record customer satisfaction levels and a decline in warranty claims.
  - Although the deterioration in the financial performance of the Company has been significant, Kimball Hill has been able to outpace other major competitors in the industry.

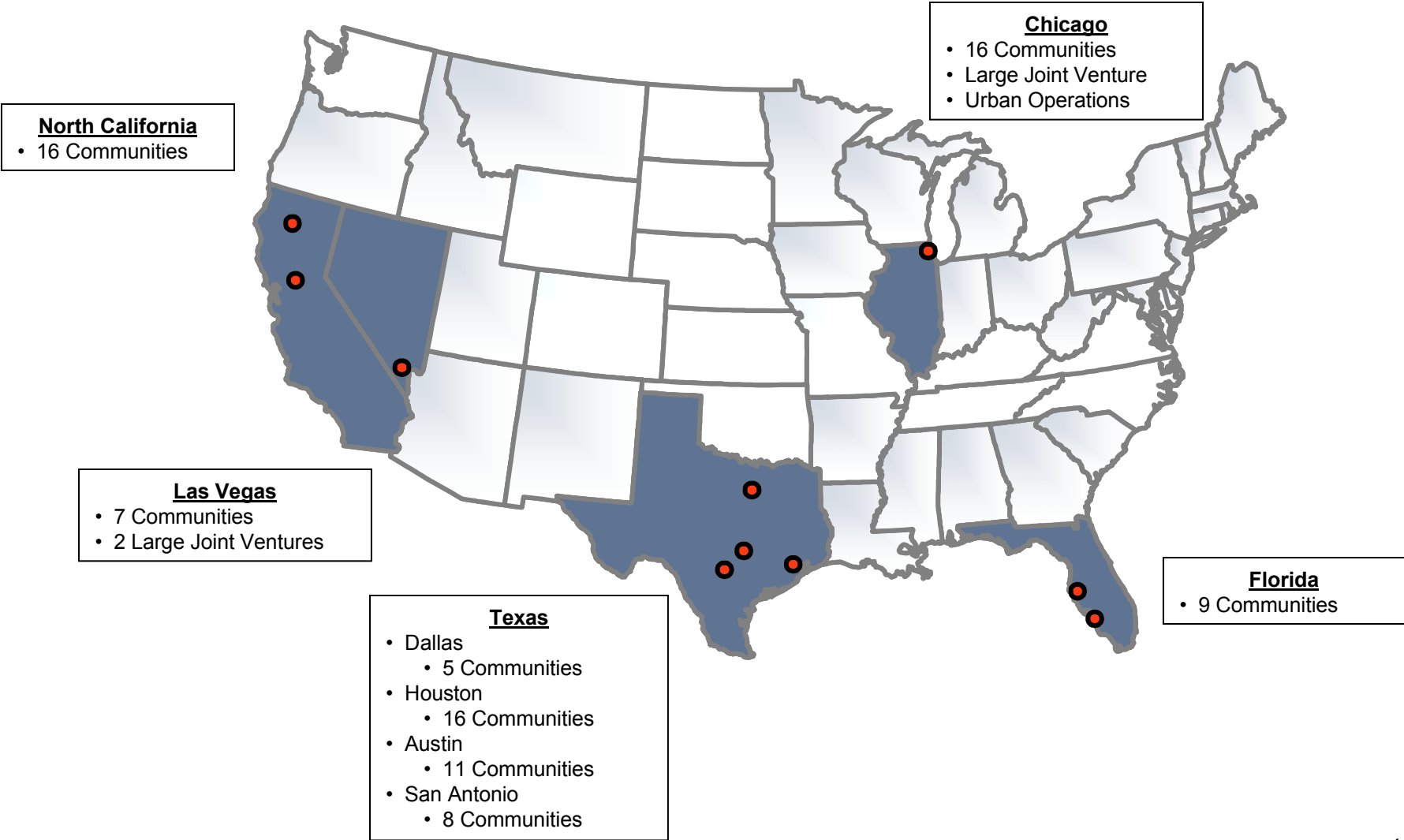


(a) Based on Builder Magazine’s 2006 rankings  
 (b) Excludes the divested markets of Portland, Cleveland and Milwaukee



# Market Overview

❖ The Company currently operates in five distinct regions across the United States. The map below illustrates the Company's key operations and holdings in each market:



# Competitor Overview



❖ The acceleration of the housing downturn in 2007 was felt by all homebuilders:

(in Thousands)	US Census Bureau					
	Nov-06	Dec-06	Total	Nov-07	Dec-07	Total
<b>Housing Starts</b>	115	112	227	88	69	157
<i>YOY Growth</i>				-23%	-38%	-31%
<b>New Home Sales</b>	71	71	142	46	42	88
<i>YOY Growth</i>				-35%	-41%	-38%
<b>Average Price</b>	\$ 292	\$ 301	\$ 297	\$ 311	\$ 267	\$ 289
<i>YOY Growth</i>				7%	-11%	-3%

	Lennar		Centex		KB Homes		Kimball Hill	
	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007
<b>Deliveries</b>	49,568	33,283	39,232	35,785	32,124	23,743	4,079	3,246
<i>YOY Change</i>		-33%		-9%		-26%		-20%
<b>Average Selling Price (000's)</b>	\$ 315	\$ 297	\$ 304	\$ 308	\$ 288	\$ 262	\$ 277	\$ 257
<i>YOY Change</i>		-6%		1%		-9%		-7%
<b>Backlog Units</b>	12,636	4,660	17,387	10,651	10,575	6,322	758	593
<i>YOY Change</i>		-63%		-39%		-40%		-22%



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# **Objectives of Chapter 11 Filing & Plan Sponsor Process**



- ❖ In addition to the issues faced by the homebuilding industry, the Company also faced a number of near-term obstacles commencing in April 2008:
  - Obligations in relation to two joint ventures in Las Vegas beginning in April 2008;
  - Subordinated Note interest payment on June 15, 2008;
  - Maturity of secured debt in relation to a Chicago based joint venture in October 2008;
  - Significant land acquisition obligations beginning in March 2009; and
  - Potential capital/guaranty calls from other joint ventures in the near term.
  
- ❖ Unlike many other homebuilders, the Company has substantial unencumbered assets, including a Federal Tax Refund of approximately \$52 million.
  
- ❖ Given this fact, the Company and its advisors have worked to develop a strategy to preserve the value of the unencumbered assets for the benefit of unsecured creditors while pursuing a plan sponsorship process to:
  - Capture the potential upside value of a reorganization for all constituents; and
  - Preserve the collateral value of the Company's senior lenders.
  
- ❖ In addition to the plan sponsorship process, the Company has commenced an operational restructuring aimed at realigning the business with current market conditions and improving financial performance, including:
  - Significantly reducing headcount (56% reduction since May 2006);
  - Exiting non-core markets (including Portland, Cleveland and Florida); and
  - Critically reviewing rolling lot takedowns and associated option fees.



# Plan Sponsor Process

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- ❖ The Debtors hope to restructure their balance sheet by means of a chapter 11 plan of reorganization.
  
- ❖ At the beginning of March 2008, the Company's investment bank, Houlihan Lokey Howard & Zukin ("HLHZ") began to solicit proposals from various parties for equity investments in the Kimball Hill and/or the sale of the majority of the Company's assets.
  
- ❖ To date, HLHZ has contacted approximately 60 parties, of which approximately 35 have executed confidentiality agreements.
  - Approximately 26 parties continue to evaluate a potential investment in Kimball Hill, with a smaller number having already met with management and conducted site visits and other due diligence.
  
- ❖ It is the Debtors' goal to complete the plan sponsor process with 90-120 days of the petition date.



# First and Second Day Relief

# First Day Relief Granted

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- ❖ Home Sales.
  - Final Order through and including May 14, 2008.
  
- ❖ Customer Programs .
  - Final Order through and including May 14, 2008.
  
- ❖ Prepetition Lien Claims.
  - Final Order through and including May 14, 2008.
  
- ❖ Wages (other than wages and bonuses in excess of \$10,950 Priority Cap, as well as director compensation).
  
- ❖ Claims Agent Retention.
  - KCC.
  
- ❖ Joint Administration.

# First Day Interim Relief Granted

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- ❖ First Interim DIP Financing Order.
  - Authorizes availability of \$35 million.
  - Granted through and including May 1, 2008.
  
- ❖ Cash Management.
  - Granted through and including May 1, 2008.
  
- ❖ Insurance.
  - Granted through and including May 1, 2008.
  
- ❖ Taxes.
  - Granted through and including May 1, 2008.

# Matters set for Hearing on May 1

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- ❖ Second Interim DIP Financing Order.
- ❖ Taxes.
- ❖ Utilities.
- ❖ Insurance.
- ❖ SoFAs and Schedules Extension.
- ❖ Claims Trading Record Date.
- ❖ Case Management Procedures.



## Matters set for Hearing on May 13

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- ❖ DIP Financing.
  - Final Order.
- ❖ Home Sales.
  - Final Order from May 14, 2008 onward.
- ❖ Customer Programs.
  - Final Order from May 14, 2008 onward.
- ❖ Prepetition Lien Claims.
  - Final Order from May 14, 2008 onward.
- ❖ Cash Management.
  - Final Order.
- ❖ Wages (above \$10,950 Priority Cap).
- ❖ Interim Compensation Procedures.
- ❖ Kirkland & Ellis Retention.
- ❖ Houlihan Lokey Retention.
- ❖ Ordinary Course Professionals.



## Near-Term Next Steps



## Next Steps

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- ❖ Bring Committee and its Professionals Up-to-Date with Material Activities and Near-Term Goals in the Chapter 11 Cases.
- ❖ In-Person Meeting with Committee and Senior Management Before May 13, 2008 Hearing.
- ❖ Foster Open and Constructive Relationship with Committee and its Professionals.