

**IN THE UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI
CENTRAL DIVISION**

In re:

**1802 Palisades Investments, LLC
Debtor.**

Case #17-20009-drd11
Chapter 11

**FIRST AMENDED DISCLOSURE STATEMENT FILED BY
1802 PALISADES INVESTMENTS, LLC**

This First Amended Disclosure Statement is prepared and filed by 1802 Palisades Investments, LLC, (“Debtor”), a Missouri limited liability company.

Debtor filed this Chapter 11 case in the United States Bankruptcy Court for the Western District of Missouri on January 9, 2017.

Under the provisions of §1125 of the Bankruptcy Code, a debtor may not solicit acceptance of a plan “from a holder of a claim or interest with respect to such claim or interest, unless, at the time of or before such solicitation, there is transmitted to such holder the plan or a summary of the plan, and a written disclosure statement approved, after notice and a hearing, by the court, as containing adequate information.”

“adequate information” means information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor’s books and records, *including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case*, that would enable such hypothetical investor of the relevant class to make an informed judgment about the plan, but adequate information need not include such information about any other possible or proposed plan *and in determining whether a disclosure statement provides adequate information, the court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information;*”

THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW OF THE PLAN BY EACH HOLDER OF EACH CLAIM OR INTEREST ENTITLED TO VOTE THEREON, BUT IS INTENDED TO AID AND SUPPLEMENT SUCH REVIEW. HOLDERS OF CLAIMS SHOULD REVIEW THE PLAN ITSELF AND ANY RELATED AGREEMENTS OR TRANSACTIONS FOR A FULL UNDERSTANDING OF ITS PROVISIONS. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN AND THE TERMS OF THE PLAN AND ANY RELATED AGREEMENTS ARE CONTROLLING, SHOULD ANY INCONSISTENCY EXISTS BETWEEN THEM AND THE DISCLOSURE STATEMENT.

NO STATEMENTS OR INFORMATION CONCERNING THE DEBTOR OR ANY OTHER ENTITY DESCRIBED IN THE DISCLOSURE STATEMENT OR THE PLAN, PARTICULARLY AS TO ITS FUTURE BUSINESS OPERATIONS, PROFITS, FINANCIAL CONDITIONS, ASSETS, LIABILITIES OR THE DEBT SECURITIES TO BE ISSUED PURSUANT TO THE PLAN, ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THE DISCLOSURE STATEMENT.

The Debtor is unable to warrant or represent that the information set forth in the Disclosure Statement is without any inaccuracy. To the extent practicable, however, great effort has been made to ensure that all such information is fairly presented.

PROCEDURAL INFORMATION

Voting. Under 11 U.S.C. §1126 and Federal Rule of Bankruptcy Procedure 3018(a), only creditors whose claims are deemed allowed pursuant to §502 of the Bankruptcy Code, or

have been allowed by an Order of the Bankruptcy Court, are entitled to vote on the Plan. A holder of an unimpaired claim is deemed to have accepted the Plan.

Except as otherwise provided in the Disclosure Order, ballots are being sent with the Disclosure Statement to the known holders of all Claims against the Debtor, as of the commencement date of this on January 9, 2017, including those that have been or will be objected to by the Debtor. The holders of Claims and Interests that have been objected to by the Debtor are not entitled to vote on the Plan unless otherwise ordered by the Bankruptcy Court in accordance with Federal Rule of Bankruptcy Procedure 3018(a), which provides, in pertinent part, that: “Notwithstanding objection to a claim or interest, the Court after notice and hearing may temporarily allow the claim or interest in an amount which the court deems proper for the purpose of accepting or rejecting a plan”.

All pleadings and other documents referred to in the Disclosure Statement as being on file with the Bankruptcy Court are available for inspection and review during normal business hours at the office of the Clerk of the Bankruptcy Court, 400 E. Ninth St., Kansas City, Missouri 64106.

ANY CHANGES TO THESE DOCUMENTS WILL BE DESCRIBED AT THE HEARING ON THE CONFIRMATION OF THE PLAN.

After carefully reviewing the Plan, this Disclosure Statement and Exhibits annexed thereto, please indicate your vote(s) with respect to the Plan on the ballot sent to you and return it by the deadline to Debtor’s counsel. If you have a Claim in more than one Voting Class, you are entitled to vote each Claim. **PLEASE VOTE AND RETURN EVERY BALLOT THAT YOU RECEIVED, IN ORDER TO BE COUNTED, BALLOTS MUST BE RECEIVED BY _____, 2017.**

The Court will hold a hearing on confirmation of the Plan commencing at A.M./P.M. on _____, 2017 (the “Confirmation Hearing”).

BACKGROUND

On August 17, 2011, the Debtor LLC was formed and acquired the real estate (the Property) located at 1802 Palisades, Lake Ozark, Missouri. The property consists of ½ acre and the lake front house of approximately 4,517 square feet. The property was originally purchased in 2009 by Patsy and Barrett Prelogar, husband and wife. The acquisition was financed by purchase money loans from Bank of America, N.A. and M&I Bank, now BMO Harris Bank (BMO). The Bank of America loan is secured by a first deed of trust with an approximate balance of \$362,610.66, requiring monthly payments of \$2904.63. The BMO loan is secured by a second deed of trust with an approximate balance of \$334,832.00. All payments were made on that loan which matured in November 2016. BMO would not extend the terms of the note and began foreclosure proceedings which precipitated the filing of this reorganization case.

On September 6, 2011, the Debtor LLC was formed, with Patsy Prelogar as the sole member. The Prelogars thereafter, by quit claim deed, conveyed the Property to the Debtor, which is the Debtor’s sole asset. The indebtedness owed the banks is that of the Prelogars and not the Debtor. However, the deeds of trust encumbering the Property constitute claims as defined in *11 U.S.C. §101(5)(B)*.

The Property, located on the Lake of the Ozarks, consists of a house, acreage bordering the lake, and a boat dock. The house was originally occupied by the Prelogars for personal use. After the Property was conveyed to the Debtor, a lease was entered into between the Debtor and Bareskull Innovations LLC (Bareskull) whereby Bareskull leased the Property from the Debtor for monthly payments of \$6500.00 plus utilities and repairs. Bareskull uses the Property for

meetings, seminars, programs, and entertainment for clients. Bareskull is an insider of the Debtor as defined by *11 U.S.C. §101(5)(B)*.

THE REORGANIZATION CASE

Subsequent to the filing of the reorganization case, the Debtor has operated and managed the property in the ordinary course of business. It has been collecting rent, performing deferred maintenance, and engaging in all activities to preserve and protect the property. All taxes are paid and the property is adequately insured. Patsy Prelogar, the sole member of the Debtor, will continue to manage the property and serve without compensation.

The Debtor proposes to pay the Class III Claim \$200,000.00 in cash on the later of August 31, 2017 or the Effective Date. The funds to make this payment will emanate from one or more of the following sources: personal funds of the Prelogars; loans to the Prelogars personally from relatives; revenue from business entities owned by Barrett Prelogar, or a combination thereof.

Contemporaneous with this Disclosure Statement, the Debtor has filed its Plan of Reorganization, a copy of which is attached hereto, made a part hereof, and marked **Exhibit 1**.

GENERAL DESCRIPTION OF THE PLAN

In accordance with the requirement of 11 U.S.C. §1122(a) of the Code, a claim or interest may be placed in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. As a practical matter, this means that each creditor holding a secured claim is classified separately and other classes may include the claims of several creditors. The classes are as follows:

Class 1 are administrative claims. There are claims arising after filing and up to confirmation. These include fees of Debtor's counsel and unpaid expenses incurred during this

period. These claims are to be paid on the effective date or as agreed by the parties. Debtor does not anticipate substantial claims in this class that will put post-confirmation performance under the Plan at risk.

Class 2 is the claim of Bank of America which holds a First Deed of Trust on the Debtor's real estate. The balance of this claim is \$362,610.66. The loan is current, the Debtor has made, and will continue to make, monthly payments in accordance with the loan agreement.

Class 3 is the claim of BMO Harris Bank as successor to M&I Marshall & Ilsley Bank (BMO). BMO is the holder of a Second Deed of Trust against the Debtor's property. The Debtor is current in all payments to BMO in accordance with the loan documents. The loan matured and BMO instituted foreclosure proceedings. BMO will be paid \$200,000.000 in cash on August 31, 2017 or on the Effective Date, whichever is later, in full payment and satisfaction of the claim.

Class 4 is the claim of the Internal Revenue Service which is based upon the filing of a Federal Tax Lien. The Claimant does not contend that any liability was incurred directly by the Debtor, but rather, the claim is asserted against the Debtor as a "nominee". The claim is disputed.

Class 5 is the claim of the Unsecured Creditor Class of \$7,202.81. This class will be paid in full without interest on or before December 31, 2017.

Class 6 is the claim of William Prelogar in the amount of \$487,883.69 which is based upon an unsecured loan made to the Debtor. This claim will be subordinated and paid in full after payment to Classes 3 through 5.

Class 7 is the claim of the Equity Holder who will retain her interest but receive no payments under the Plan.

POST-PETITION ADMINISTRATION

The reorganized Debtor will continue to operate and manage the property and will collect rents, perform daily and deferred maintenance and repairs, and will conduct operations necessary to protect and preserve the property and ensure payment to creditors. If additional funds are needed for the reorganized Debtor to adequately perform the Plan, Patsy Prelogar, as the member of the Debtor LLC, will from time to time make the capital contributions necessary.

FINANCIAL INFORMATION

Financial information concerning the Debtor's past operations are contained in the Balance Sheets and Profit and Loss Statements for the years 2015 and 2016 which are attached hereto, made a part hereof, and marked **Exhibit 2**. The future income and expenses of the reorganized Debtor are attached hereto, made a part hereof, and marked **Exhibit 3**.

IMPLEMENTATION OF THE PLAN

A. Effect of Confirmation. Upon the entry of an Order of Confirmation, the Debtor shall be vested with all of the property of the Estate, subject only to outstanding liens created and/or recognized by this Plan and free and clear of all other claims, liens, encumbrances, charges and other interests of creditors, and shall be entitled to operate its businesses and manage its affairs free of any restrictions imposed by the Bankruptcy code, the Bankruptcy Rules, or any local rules of the Bankruptcy Court and without further order of the Bankruptcy Court, except as otherwise expressly provided under the Plan.

B. Post-confirmation Operations. Notwithstanding the entry of an Order of Confirmation, the Debtor shall continue as Debtor-in-Possession until entry of a final decree closing this Chapter 11 case; shall have all rights and powers of a trustee serving in a case under this Chapter of the Bankruptcy Code; shall retain any remaining possessions after confirmation

of this Plan of all causes of action as they may have under the Bankruptcy Code; and as Debtor-in-Possession shall be authorized to prosecute such actions as fully and completely as if the same were being prosecuted by a Trustee in Bankruptcy. The Bankruptcy Court shall have and retain jurisdiction over such causes of action.

C. Discharge of Debtor. Except as otherwise expressly provided in the Plan, the confirmation of the Plan shall discharge the Debtor effective immediately from any Claim and any “Debt” [as that term is defined in §101(12) of the Code] and the Debtor’s liability in respect thereof is extinguished completely, whether liquidated or unliquidated, contingent or non-contingent, asserted or un-asserted, fixed or not, matured or un-matured, disputed or undisputed, legal or equitable, known or unknown, that arose from the agreement of the Debtor or Debtor-in-Possession or any obligation of the Debtor or Debtor-in-Possession incurred before the Confirmation Date, or from any conduct of the Debtor or Debtor-in-Possession prior to the Confirmation Date. In place thereof, Creditors and other parties in interest will have only those rights granted them under the terms and provisions of the Plan as confirmed by Order of the Bankruptcy Court.

D. Executory Contracts. All executory contracts set forth on the schedule of assumed executory contracts filed with the Bankruptcy Court prior to the commencement of the Confirmation Hearing shall be deemed assumed by Debtor, as of the Effective Date, except for any executory contract (a) that has been rejected pursuant to an Order of the Bankruptcy Court entered prior to the Effective Date, or (b) as to which a motion for approval of the rejection of such executory contract, if applicable, has been filed with the Bankruptcy Court prior to the Effective Date.

E. Unexpired Leases. All unexpired leases set forth on the schedule of assumed unexpired leases filed with the Bankruptcy Court prior to the commencement of the Confirmation Hearing shall be deemed assumed by Debtor, as of the Effective Date, except for any unexpired lease (a) that has been rejected pursuant to an Order of the Bankruptcy Court prior to the Effective Date, or (b) as to which a motion for approval of the rejection of such unexpired lease, if applicable, has been file with the Bankruptcy Court prior to the Effective Date.

F. Deemed Rejection. All executory contracts and unexpired leases not specified on the schedule of assumed executory contracts and unexpired leases, filed with the Bankruptcy Court prior to the Effective Date or not previously rejected shall be deemed rejected as of the Effective Date, except for any executory contract or unexpired lease (a) that has been assumed pursuant to a Final Order entered on or before the Effective Date, or (b) that is the subject of a pending motion to assume or an Order relating to assumption that has not yet become a Final Order as of the Effective Date.

G. Approval of Assumption or Rejection. Entry of the Confirmation Order shall constitute (a) the approval, pursuant to §365(a) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed pursuant to the Plan, and (b) the approval, pursuant to §365(a) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to the Plan. Notwithstanding anything contained herein to the contrary, Debtor shall have the right to add or delete any executory contract or unexpired lease to the schedules filed with the Bankruptcy Court on or before the Effective Date.

H. Post-Petition Date Contracts and Leases. Executory contracts and unexpired leases entered into and other obligations incurred after the Petition Date by Debtor shall be performed by Debtor, as applicable, in the ordinary course of their business.

I. Amendment of the Plan. At any time before the Confirmation Date, Debtor may alter, amend or modify the Plan under §1127(a) of the Bankruptcy Code, provided that such alteration, amendment or modification does not materially and adversely affect the treatment and rights of Holders of Claims under the Plan. After the Confirmation Date and before substantial consummation of the Plan as defined in §1101(2) of the Bankruptcy Code, Debtor may, under §1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Plan so long as such proceedings do not materially and adversely affect the treatment of Holders of Claims under the Plan; provided, however, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or applicable order of the Bankruptcy Court.

J. Revocation or Withdrawal of the Plan. Debtor reserve the right to revoke or withdraw this Plan at any time before the Confirmation Date. If the Plan is withdrawn or revoked, then the Plan shall be deemed null and avoid and nothing contained in the Plan shall be deemed a waiver of any Claims by or against Debtor or any other Person in any further proceedings involving Debtor or an admission of any sort, and this Plan and any transaction contemplated by this Plan shall not be admitted into evidence in any proceedings.

K. Impaired Classes to Vote. Each Holder of an Allowed claim in an impaired Class shall be entitled to vote separately to accept or reject this Plan unless such Holder is deemed to accept or reject this Plan. ANY BALLOT NOT INDICATING AN ACCEPTANCE OR REJECTION WILL BE DEEMED AN ACCEPTANCE OF THIS PLAN AND ANY HOLDER OF A CLAIM ENTITLED TO VOTE ON THIS PLAN FAILING TO RETURN A BALLOT BY THE VOTING DEADLINE (AS DEFINED IN THE DISCLOSURE STATEMENTS)

SHALL BE DEEMED TO HAVE VOTED SUCH HOLDER'S CLAIMS TO ACCEPT THE PLAN. Allowed Secured Claims and Allowed Nonpriority Unsecured Claims are impaired and are entitled to vote. Allowed Administrative Claims, allowed Ordinary Course Administrative Claims and allowed Priority Claims are unimpaired, are deemed to accept, and are not entitled to vote.

L. Acceptance by Class of Creditors and Holders of Interests. An impaired Class of Holders of Claims shall have accepted this Plan if this Plan is accepted by at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Class that have voted to accept or reject this Plan. A class of Holders of Claims shall be deemed to accept this Plan in the event that no Holder of a claim within that Class submits a Ballot by the Ballot Date.

M. Cramdown. If any impaired Class of Claims entitled to vote shall not accept this Plan by the requisite statutory majorities provided in §1126(c) of the Bankruptcy Code, Debtor reserves the right to request that the Bankruptcy Court confirm this Plan under §1129(b) of the Bankruptcy Code. With respect to impaired Classes of Claims that are deemed to reject this Plan, Debtor shall request the Bankruptcy Court to confirm this Plan under §1129(b) of the Bankruptcy Code.

N. Jurisdiction. Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court retains such jurisdiction over the Chapter 11 case on an after the Effective Date as is legally permissible, including, without limitation, jurisdiction.

(1) to allow, disallow, determine, liquidate, classify, estimate, or establish the amount of priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance of priority of Claims;

(2) to adjudicate all claims as to ownership interest in any property of the Debtor or of this Estate and of any proceeds thereof;

(3) to adjudicate all claims or controversies arising out of any purchase, sale or contract made or undertaken by the Debtor during the pendency of this Chapter 11 proceeding;

(4) to determine the validity, extent and priority of all liens against property of the Debtor's Estate:

(5) to determine the value of the property securing any Claim;

(6) to grant or deny any applications for allowance of compensation or reimbursement of expenses authorized under the Bankruptcy Code or the plan;

(7) to resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which Debtor are parties and to hear, determine, and if necessary liquidate, any claims arising from or cure amounts related to such assumption or rejection;

(8) to decide or resolve any motions, adversary proceedings or contested matters, and to grant or deny any applications or motions involving Debtor that may be pending on the Effective Date:

(9) to resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or the obligations of any Holder or Person incurred in connection with the Plan;

(10) to consider and approve any modification of the Plan under §1127 of the Bankruptcy Code or under Bankruptcy Rule 2019 and/or any modification of the Plan after substantial consummation as defined in §1101(2) of the Bankruptcy Code;

(11) to issue injunctions, enter and implement other orders, or take such other action as may be necessary or appropriate to prevent interference by any entity with consummation or enforcement of the Plan, and any transaction related thereto, except as otherwise provided in the Plan;

(12) to hear and determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan, Disclosure Statement or the Confirmation Order except as otherwise provided in the Plan;

(13) to adjudicate all causes of action or claims of Debtor;

(14) to approve settlements of any cause of action or claim of Debtor;

(15) to resolve any disputes between Professionals and Debtor in accordance with Section 3.8;

(16) to hear and determine such matters and make such orders consistent with the Plan as may be necessary or desirable to interpret, enforce and carry out the provisions thereof; and

(17) to enter an order closing the Chapter 11 case.

O. Risk Analysis. Because of the numerous risks and inherent uncertainties that will affect the operations of the Reorganized Debtor, the actual results of the Reorganized Debtor may be different from those projected, and such differences may be material and may adversely affect the Reorganized Debtor and its operations.

ALTERNATIVES TO CONFIRMATION

The Debtor believes the Plan provides payments to creditors with the higher value that can be realized on their Allowed Claims and recommends that you vote to accept the Plan. In the event that the Plan is not confirmed, the alternatives for the creditors include the filing of another plan by the Debtor, conversion of the Chapter 11 proceeding to a Chapter 7 liquidation, or dismissal of the case. Each of these alternatives is discussed as follows:

A. Liquidation under Chapter 7 of the Bankruptcy Code.

If the Debtor's Plan is not confirmed, the liquidation of the Debtor's assets pursuant to Chapter 7 of the Bankruptcy Code could occur. To determine what the members of each Class could receive if a Chapter 7 liquidation occurred, we must first determine the dollar amount that would be generated from the liquidation of the Debtor's assets.

As shown in the liquidation table, the gross liquidation value of the Debtor's assets must be reduced by the costs of the Chapter 7 liquidation in order to obtain the possible distribution to holders of claims and interests. The Debtor's

costs of liquidation under Chapter 7 would include the fees and expenses of the Chapter 7 Trustee, as well as those of counsel and other professionals that might be retained by the Trustee, and the commissions and sales expenses. These allowed claims and such other claims as might occur in the Chapter 7 liquidation would be paid in full out of the liquidation before the balance would be available to make a distribution to unsecured allowed claims in the Chapter 11 case. In determining the respective distributions to allowed claims in Chapter 7, the entire Chapter 7 proceeding could likely result in litigation and claims that would both delay and reduce substantially the distribution to creditors in the Chapter 7 case. The starting point for determining Gross Liquidation Value is determining the liquidation value of the Debtor's assets. After considering the effect a Chapter 7 liquidation would have on the net value of the Debtor's assets, including the adverse effect of a forced sale on prices obtained, the cost and expense of the Chapter 7 liquidation, the likely increase in claims against the Debtor in Chapter 7, and the delay in distribution, the Debtor has determined that no material liquidation proceeds would be available for the distribution to creditors other than to Bank of America and BMO Harris. The following liquidation table illustrates the Debtor's analysis of liquidation.

LIQUIDATION ANALYSIS

The Debtor estimates the value of its properties, and therefore the value of the secured Claims, as follows:

Gross sale value of asset; ¹		\$1,049,000
Less:		
Real estate commissions	\$ 57,000	
Estimated bankruptcy estate costs	<u>6,600</u>	
	\$ 63,600	<u>-\$63,600</u>
Net proceeds:		\$985,400
Class 1	\$ 10,000	
Class 2	\$ 362,610	
Class 3	<u>\$ 334,832</u>	
Total to Secured Creditors	\$ 707,442	-\$707,442
Class 4	\$ 0	
Class 5	\$ 7,203	
Class 6	<u>\$ 488,000</u>	
	\$ 495,203	
Available to Unsecured Creditors		\$277,958

B. Dismissal

The dismissal of this case would have the effect of restoring (or attempting to restore) all parties to their status prior to the filing of the reorganization case. The likely consequence of a dismissal is the re-institution of foreclosure proceedings by BMO. The foreclosure would terminate the Debtor's business and, other than Bank of America, all other creditors would receive nothing. Therefore, the Debtor believes that Dismissal of the case is not a sensible option or alternative to the Plan.

TAX CONSEQUENCES OF THE PLAN

A. INTRODUCTION

THE DEBTOR BELIEVES THAT EACH HOLDER OF A CLAIM SHOULD DISCUSS ANY POTENTIAL INCOME TAX CONSEQUENCES OF THE PLAN WITH COMPETENT TAX COUNSEL IN ORDER TO FULLY UNDERSTAND THE TAX

¹ The gross sale value is comprised of the real estate \$950,000; estimate of collectible accounts receivable, \$24,000; personal property and related items, \$75,000, totaling \$1,049,000.

IMPACT OR POTENTIAL IMPACT OF THE PLAN ON SUCH HOLDER OF A CLAIM OR INTEREST.

B, FEDERAL TAXES

The Plan may modify or affect the timing of the federal income tax treatment of Claims.

DEBTOR MAKES NO REPRESENTATION NOR RENDERS ANY OPINON AS TO WHAT THE INCOME TAX CONSEQUENCES WILL BE OR ARE LIKELY TO BE IN CASE OF CONFIRMATION OF THE PLAN TO ANY CREDITOR, EACH MEMBER OF EACH CLASS IS SOLELY RESPONSIBLE FOR DETERMINING THE FEDERAL INCOME TAX CONSEQUENCES APPLICABLE TO ITS OWN CIRCUMSTANCES, CREDITORS ARE ADVISED TO CONSULT WITH THEIR TAX ADVISORS CONCERNING THE INDIVIDUAL TAX CONSEQUENCES OF THE PLAN AS IT AFFECTS THEIR PARTICULAR CLAIM OR INTEREST, INCLUDING THE IMPACT OF STATE AND LOCAL TAXES. NO OPINION OF TAX COUNSEL HAS BEEN SOUGHT OR OBTAINED IN CONNECTION WITH THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED HERE ARE ONLY GENERAL OBSERVATIONS AND ARE NOT TO BE INTERPRETED OR CONSTRUED AS LEGAL ADVICE.

CONFIRMATION REQUIREMENTS

At the hearing on the confirmation of the Plan, the Bankruptcy Court will confirm the Plan only if the requirements of the Bankruptcy Code, particularly those set forth in §1129, have been satisfied.

A. ACCEPTANCES NECESSARY TO CONFIRM THE PLAN

At the hearing on the confirmation of the Plan, the Bankruptcy Court must determine, among other things, whether the Plan has been accepted by the requisite amount and number of

Allowed Claims in each impaired Class. Under the Bankruptcy Code, a class of creditors is impaired if their legal, equitable or contractual rights are altered by a proposed plan of reorganization. If a class is not impaired, each creditor in such unimpaired class is conclusively presumed to have accepted the Plan pursuant to §1126(f) of the Bankruptcy Code. Classes 4 through 6 are impaired under the Plan and holders of Allowed Claims in such Classes are entitled to vote for or against the Plan by completing and returning the ballots mailed to them with the Disclosure Statement in the manner set forth in the ballots.

Under §1126 of the Bankruptcy Code, an impaired class of creditors and each holder of a claim in such Class will be deemed to have accepted a plan if the holder of at least two-thirds in amount and more than one-half in number of the Allowed Claims in such impaired Class for which completed ballots have been received have voted for acceptance of the Plan. An impaired Class of Equity Interests and each Holder of an Interest in such Class will be deemed to have accepted a Plan if the Plan has been accepted by at least two-thirds in amount of the interest in such Class who actually vote on the Plan.

If all impaired Classes under the Plan do not accept the Plan, the Debtor intends to request the Bankruptcy Court to confirm the Plan pursuant to §1129(b) of the Bankruptcy Code. To confirm the Plan under §1129(b) of the Bankruptcy code, the Bankruptcy Court must determine, among other things, that the Plan does not discriminate unfairly and that it is fair and equitable with respect to each Class of impaired Allowed Claims that have not voted to accept the Plan.

B. BEST INTERESTS OF CREDITORS

To satisfy one of the requirements necessary for confirmation of the Plan, the Debtor must establish and the Bankruptcy Court must find that, with respect to each Class of Allowed

Claims under the Plan, each holder of an Allowed Claim in that Class either has accepted the Plan or will receive or retain under the Plan on account of such Allowed claims property of a value that is at least the amount that such holder would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code. The section of this Disclosure Statement entitled “Liquidation Analysis” contains the Debtor’s analysis of the likely results of a Chapter 7 liquidation of the Debtor. The Bankruptcy Court must compare the value of the distributions to each Class under the Plan to determine if the Plan is in the best interest of each Class of Allowed Claims.

THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF THE HOLDERS OF ALL ALLOWED CLAIMS AND PROVIDES VALUE TO ALL OF THEM AT LEAST IN THE AMOUNTS THAT THEY WOULD RECEIVE IN A CHAPTER 7 LIQUIDATION CASE OF THE DEBTOR.

FEASIBILITY

As a condition to confirmation of the Plan, 11 U.S.C. §1129 requires the Court to determine that confirmation is not likely to be followed by liquidation of the reorganized debtor or the need for its further financial reorganization. For purposes of determining whether the Plan meets this “feasibility” standard, the Debtor has projected the ability of the reorganized Debtor to meet its obligations under the Plan and the Debtor’s performance set out in **Exhibit 3**. In addition, Patsy Prelogar, the sole member of the LLC, has committed to future capital contributions in the event that funds generated are insufficient to meet the Debtor’s obligations.

Holders of claims against the reorganized Debtor should carefully read and consider the factors set forth in this Disclosure Statement prior to voting to accept or reject the Plan. The

Debtor believes that the best interests of all holders of claims is for the Plan of Reorganization to be confirmed pursuant to the provisions of 11 U.S.C. §1129.

SUBMISSION

Debtor submits that this Plan meets all requirements of the Bankruptcy Code, is filed in good faith, is in the best interest of creditors and is feasible. Debtor asks that you accept the Plan.

Dated: August 11, 2017

1802 PALISADES INVESTMENTS, LLC

**By: /s/ Patsy Prelogar
Patsy Prelogar, Member**

Respectfully submitted,

BERMAN, DeLEVE, KUCHAN & CHAPMAN, LLC

By: /s/ Ronald S. Weiss

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**ATTORNEYS FOR 1802 PALISADES INVESTMENTS, LLC
DEBTOR AND DEBTOR-IN-POSSESSION**