IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:	§	
	§	
LOT Inc. d/b/a Lott P.A. Property, Inc.,	§	**Case No. 17-32456-H5-11**
	§	**(Chapter 11)**
Debtor.	§	

DEBTOR'S DISCLOSURE STATEMENT WITH RESPECT TO PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE FOR LOT, INC.

DATED: June 16, 2017

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EXHIBITS

DISCLOSURE STATEMENT WITH RESPECT TO PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE FOR LOT, INC.

Lot, Inc. d/b/a Lott P.A. Property, Inc., the Debtor and Debtor-in-Possession in the above referenced chapter 11 case ("Debtor"), hereby submits this Debtor's Disclosure Statement with Respect To First Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Lot, Inc. as conditionally approved on _____, 2017 (the "Disclosure Statement"), in connection with the solicitation of acceptances of the Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Lot, Inc. (the "Plan") that is attached hereto as Exhibit A.

I.

NOTICE TO HOLDERS OF CLAIMS

The purpose of this Disclosure Statement is to enable you, as the holder of a claim against the Debtor, to make an informed decision with respect to the Plan prior to exercising your right to accept or reject the Plan.

Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one. No solicitation of votes may be made except pursuant to this Disclosure Statement, and no person has been authorized to utilize any information concerning the Debtor or its business other than the information contained in this Disclosure Statement. You should not rely on any information relating to the Debtor and its estate, other than that contained herein.

The sources of the information in this Disclosure Statement are the Debtor and its officers, the financial documents and tax returns of the Debtor, the historical and projected financials of the Debtor, and a liquidation analysis. The accounting method used in this Disclosure Statement and its supporting documents is the cash method of accounting, unless specifically noted.

The proposed distributions under the Plan are discussed at pages __ - __ of this Disclosure Statement. The Holders of all Allowed Claims will be paid under the terms of the Plan.

Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events leading up to the bankruptcy case,
- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,

- What factors the Bankruptcy Court will consider when deciding whether to confirm the Plan,
- Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

The United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court") held a hearing on _____, 2017, at _____ o'clock __.m. Central Standard Time in Courtroom 403, United States Courthouse, 515 Rusk Street, 4th Floor, Houston, Texas 77002, to consider conditional approval of the Disclosure Statement. At that hearing, the Bankruptcy Court conditionally approved the Disclosure Statement and set a hearing to consider final approval of the Disclosure Statement and confirmation of the Plan on _____, 2017, at __:__ o'clock p.m. (the "Hearing"). _____, 2017, is fixed as the last day to file a written objection to the Disclosure Statement and Plan. If you file a written objection to the Disclosure Statement and/or Plan, you must also serve a copy of the written objection on counsel for the Debtor, Matthew B. Probus of Wauson ♦ Probus, and your written objection must be received by Mr. Probus on or before _____, 2017. You may send your written objection to Mr. Probus via hand delivery or mail at One Sugar Creek Center Blvd., Suite 880, Sugar Land, Texas 77478, via facsimile at (281) 242-0306, or via email at mbprobus@w-plaw.com.

At the Hearing, the Bankruptcy Court will determine whether this Disclosure Statement contains information, of a kind and in sufficient detail, adequate to enable the holders of claims against the Debtor to make an informed judgment with respect to acceptance or rejection of the Plan. THE BANKRUPTCY COURT'S CONDITIONAL APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

You should read this Disclosure Statement in its entirety prior to voting on the Plan. No solicitation of votes may be made except pursuant to this Disclosure Statement, and no person has been authorized to utilize any information concerning the Debtor or his business other than the information contained in this Disclosure Statement. You should not rely on any information relating to the Debtor and its estate, other than that contained herein.

Objections to approval of the Disclosure Statement and to confirmation of the Plan are governed by Bankruptcy Rule 9014. UNLESS AN OBJECTION TO APPROVAL OF THE DISCLOSURE STATEMENT AND/OR TO CONFIRMATION OF THE PLAN IS TIMELY SERVED AND FILED IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

The Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement made at Hearing or any adjournment thereof.

A ballot to be used for voting to accept or reject the plan together with postage paid return envelope, is enclosed with all copies of this Disclosure Statement. BEFORE COMPLETING YOUR BALLOT, PLEASE READ CAREFULLY THE VOTING INSTRUCTION SHEET THAT ACCOMPANIES THE BALLOT. As indicated above, the Bankruptcy Court has directed that, in order to be counted for voting purposes, ballots for the acceptance or rejection of the plan must be received by the Debtor's counsel served via fax, electronic mail, mail or hand delivery, and received by counsel for the Debtor on or before July 20, 2016, at the following address(s):

Wauson ♦ Probus
One Sugar Creek Center Blvd., Suite 880
Sugar Land, Texas 77478
Fax No.: (281) 242-0306
Email: mbprobus@w-plaw.com

YOUR BALLOT WILL NOT BE COUNTED IF IT IS RECEIVED AT THE ABOVE ADDRESS/FAX NO./EMAIL ADDRESS AFTER _____, 2017.

II.

GENERAL INFORMATION ABOUT THE DEBTOR

A. Description and History of the Debtor's Business and Events Leading up to Bankruptcy.

The Tran family has been involved in the shrimping business through various entities for over 30 years. Loc Tran, shareholder and officer of the Debtor, has been involved in shrimping, shrimp processing, and shrimp sales and distribution with his brothers and uncles in various capacities over the years. Crystal Seafood Co., Inc. ("Crystal"),Titan Seafood Co., Inc. ("Seafood"), Pleasure Island Shrimp House, Inc. ("Pleasure Island"), Irvine Property, Inc. ("Irvine"), and Platinum Seafood Services, Inc. ("Platinum") were entities in which Mr. Tran was involved with family members. Crystal was in the business of processing "shell on" individual quick freeze shrimp for retail sales by large retailers across the country, such as Tampa Bay Fishery, a company that sells to Walmart nationally. Titan was in the business of processing "shelled" shrimp for sale to seafood distributors who in turn sold the processed shrimp to restaurants across the country. Mr. Tran's younger brother Tuan Van Tran owned shares in Pleasure Island, which was in the shrimp processing and sales business as well. Tuan Van Tran also owned shares in Platinum, which owned three shrimp boats and was in the business of catching shrimp to be sold to seafood processors. Finally, Loc Tran owned shares in Irvine, which owned approximately 3 acres of real property with ship channel frontage and highway frontage and a small warehouse structure on the property, located at 3931 South MLK Boulevard in Port Arthur, Texas.

Mr. Tran decided to engage in a series of transactions in 2005 to pay off the debt encumbering the assets of Irvine, Pleasure Island, and Platinum and to secure ownership of the assets. On February 23, 2006, Mr. Tran and his ex-partner Hoang Tran formed the Debtor as a Nevada corporation for the purpose of purchasing the real property and improvements from Irvine for the purchase price of $1.5 million.

Also in 2006, Mr. Tran decided to use the newly formed Debtor to purchase the assets of Pleasure Island as well. In conducting his due diligence with respect to Pleasure Island, Mr. Tran discovered that it owed approximately $1 million to MetroBank on a revolving line of credit. The Debtor did not have sufficient funds to pay off this loan, so Mr. Tran liquidated other assets and contributed sufficient capital into the Debtor to pay off Pleasure Island's loan with Metro Bank. The Debtor proceeded to purchase the assets of Treasure Island.

On March 6, 2006, Tuan Van Tran and Platinum filed Chapter 11 petitions in the United States Bankruptcy Court for the Eastern District of Texas, Beaumont Division. Tuan Van Tran moved for joint administration of the cases, which was granted. On May 2, 2006, MetroBank filed a motion to lift the automatic stay to foreclose on the shrimp boats. Platinum opposed the motion, but the bankruptcy court ultimately granted the motion. Fearing a foreclosure, Platinum quickly arranged a sale of the three shrimp boats to Hong-Van T. Tran (Loc Tran's younger sister) who Tuan Van Tran used as a straw buyer for a total purchase price of $960,000.00 and filed a motion for approval of the sale free and clear of liens. On September 8, 2006, the bankruptcy court entered an order approving the sale, directing that the entire amount of the sales proceeds be paid to MetroBank, and allowing an unsecured deficiency claim against Platinum in the amount of $2,701,321.00.

On July 21, 2006, MetroBank sued Irvine and Pleasure Island seeking payment of the balance due on the loans. The lawsuit was styled Cause No. 2006-44464; *MetroBank, N.A. v. Irvine Property, Inc. and Pleasure Island Shrimp House, Inc.*; in the 295th Judicial District Court, Harris County, Texas.[1] It was at this time that Loc Tran discovered that Tuan Van Tran had executed a deed of trust to the property of Irvine to further secure loans by MetroBank to Platinum for its purchase of the three shrimp boats. In the lawsuit, MetroBank sought judicial foreclosure of Irvine's property that the Debtor was in the process of trying to purchase for $1.5 million. Further, MetroBank sought and obtained an injunction against Pleasure Island's disposition of its shrimp investory and other assets that the Debtor was attempting to purchase. After contentious litigation, Loc Tran caused Irvine and Pleasure Island to settle all of the claims by MetroBank for payment of $1.65 million, in addition to the $1.5 million the Debtor was to pay for its purchase of Irvine's property and in addition to the $1 million the Debtor was to pay for its purchase of Pleasure Island's assets. The case was dismissed in May of 2007 pursuant to the settlement. All of these payments were funded in part by the loan proceeds from East West Bank of $1.5 million and in part from Loc Tran's liquidation of other assets. The Debtor's purchase was supposed to cost only $2.5 million. Due to all of the additional expenses the cost was closer to $4.5 million.

On April 9, 2007, the Debtor obtained a loan from East West Bank in the principal amount of $1.5 million dollars, subject to the terms of a loan agreement of that date. On April 9, 2007, the Debtor executed a promissory note in the original principal amount of $1.5 million secured by a Deed of Trust and Assignment of Rents. The promissory note had a term of ten (10) years but was amortized over a 20-year term. Titan and Ms. Tran signed unconditional guaranty agreements to further secure the loan. On April 20, 2007, Irvine executed a General Warranty Deed with Vendor's Lien transferring the property to the Debtor. The sale proceeds

[1] Similar issues were litigated in a case styled Cause No. D177628; *Lot Inc. v. Irvine Property, Inc.; Pleasure Island Shrimp House, Inc. and MetroBank, N.A.*; in the 136th Judicial District Court, Jefferson County, Texas brought by the Debtor.

were paid to Metro Bank along with the other funds contributed by Loc Tran through liquidation of other assets, in exchange for a release of MetroBank's lien.

In the summer of 2007, the Debtor added substantial improvements to the property in the form of approximately 10,000 square feet of additional warehouse space.

In April of 2010, the Deepwater Horizon oil spill on the BP-operated Macondo Prospect left the Gulf of Mexico in the Port Arthur area unfishable. The shrimping volume fell by approximately 95%. The Debtor's property had been built out as a dock for shrimp boats and the warehouse was equipped as a shrimp processing warehouse. Crystal and Titan had been leasing the warehouse space for their shrimp processing operations, but could no longer do so given the low volume of shrimping. Those companies continued to occupy the Debtor's property, but they could no longer process shrimp. Titan and Crystal continued to buy and sell shrimp in low volumes as available in order to pay rent to the Debtor. Crystal ceased all shrimp sales operations in 2012 but is still doing business in fuelto shrimpers in the area at low volumes. Titan continued operating in limited capacities until 2016 when it stopped all business operations except business in fuel. Because Crystal and Titan were no longer using their space in the Debtor's warehouse to process shrimp, the Debtor attempted to locate other tenants for that space. Unfortunately, given the reduced activity in the region after the oil spill, the Debtor was unable to locate any tenant for the property until 2014, when the Debtor leased space to Emily Seafood on a 1 year lease. In August of 2015, a company named T Seafood, Inc. entered into a lease agreement with the Debtor to lease docking area only. The lease allows the tenant to unload shrimp at the docking area of the property. The lease has a term of five (5) years and a monthly rental of $10,900.00. The rent payment was sufficient to pay the monthly loan payment to East West Bank. The Debtor planned to market the property for sale.[2]

The Debtor was unable to lease the warehouse space from the time that Titan and Crystal ceased use of it until now.

On January 26, 2016, a large windstorm caused substantial damage to the Debtor's property. The Debtor made an insurance claim to pay for those damages, but the claim was denied. In July of 2016, the Debtor hired the law firm of Lindsay, Lindsay & Parsons to pursue the claim for damages caused by the windstorm. On February 16, 2017, Lindsay, Lindsay & Parsons filed suit on behalf of the Debtor alleging breach of insurance contract and related claims and causes of action in a case styled Cause No. E-199614; *Lot, Inc. v. International Catastrophe Insurance Managers, LLC; Boulder Claims, LLC; Michael Cambre; Madsen, Kneppers & Associates, Inc.; Steven Fraasch; and Christopher J. Williams*; In the 172nd JDC of Jefferson County, Texas.

In January of 202017, the Debtor hired counsel to pursue a claim against BP Oil Company for damages caused by the oil spill. Ultimately, that claim was denied.

[2] If the Debtor is successful in leasing the warehouse space, under the terms of the lease with T-Seafood, the monthly rent will be reduced to $5,000.00.

In June of 2016, the Debtor entered into a purchase agreement with Tew Real Estate Investment, LLC for sale of the property for the sum of $620,000.00 cash in addition to assumption of the East West Bank loan. That agreement was wrapped together with agreements by Tew to purchase the seafood processing equipment in the warehouse owned by Crystal and Titan for approximately $567,000.00. Tew never applied for third party financing to pay off the loan to East West Bank, and in August of 2016, and Tew purported to terminate the purchase agreement.

In October of 2016, East West Bank sent the Debtor a letter reminding the Debtor of the maturity date of the loan. The loan was due to mature on April 15, 2017. In that letter, East West Bank stated that it did not anticipate agreeing to any renewal or extension of the loan agreement and note. In February of 2017, the Debtor requested a renewal and extension of the loan agreement with East West Bank, because the Debtor had applied for a loan with Chase Bank and Bank of America to payoff the note to East West Bank. The Debtor still needed time to obtain an environmental report, an appraisal and other necessary documents. The Debtor was ultimately unsuccessful in obtaining a loan renewal and extension, and the loan matured and came due. East West Bank made demand after maturity for payment of the balance due under the note.

In February of 2017, the Debtor contracted with AAA Floodmasters, LLC for clean-up and improvements to the warehouse structures on the property so that Coldwell Banker could market the property to warehouse tenants. The Debtor has performed some limited clean-up of the property and made certain improvements to the property. Coldwell Banker has become more aggressive in its listing for leasing of the property.

On April 24, 2017, the Debtor filed its voluntary Chapter 11 petition in the United States Bankruptcy Court for the Southern District of Texas, Houston Division in order to restructure its debt with East West Bank and arrange a plan to repay its unsecured creditors.

B. Insiders of the Debtor.

Insiders of the Debtor are as follows:

1. Loc Tran, President, Treasurer, Director and 55% shareholder.
2. Christopher Tran, Vice-President, Director and 45% shareholder.
3. Sinh Tran, Secretary
4. Titan Seafood Company, Affiliate
5. Crystal Seafood Company, Affiliate

C. Management of the Debtor Before and During the Bankruptcy.

See Section B above. Loc and Christopher Tran managed day to day operations of the Debtor.

III.

DEBTOR'S CHAPTER 11 CASE

A. General Case History.

On April 24, 2017, the Debtor filed its voluntary petition under Chapter 11 of the Bankruptcy Code. The Debtor filed an application to employ Wauson | Probus as its general bankruptcy counsel, and the Bankruptcy Court approved that application. The Debtor also filed an application to employ Lindsay, Lindsay & Parsons as its special litigation counsel to pursue the Debtor's windstorm claims against the insurance defendants and related parties. Finally, the Debtor also filed an application to employ Coldwell Banker Commercial Arnold and Associates as its real estate agent to pursue lease and/or purchase of the property. Those applications have not yet been ruled on.

On May 9, 2017, the Debtor filed its Schedules and Statement of Financial Affairs and its List of Equity Security Holders.

On May 11, 2017, the Debtor attended its Initial Debtor's Interview with the United States Trustee's office. The meeting of creditors has been set for June 22, 2017.

On May 18, 2017, the Debtor filed its Motion to Reject Executory Contract, seeking approval of its rejection of the executory contract between the Debtor and AAA Floodmasters. That motion has been set for a hearing along with the status conference on the plan for June 26, 2017 at 10:30 a.m.

On May 24, 2017, the Debtor filed its Debtor's Application to Employ Lindsay, Lindsay & Parsons as Special Litigation Counsel to represent the Debtor in its claims and causes of action pending in Cause No. E-199614; Lot, Inc. v. International Catastrophe Insurance Managers, LLC; Boulder Claims, LLC; Michael Cambre; Madsen, Kneppers & Associates, Inc.; Steven Fraasch; and Christopher J. Williams; In the 172nd JDC of Jefferson County, Texas. On June 15, 2017, the Bankruptcy Court granted that application approving the employment.

On May 24, 2017, the Debtor filed its Debtor's Application to Employ Tammiey Linscomb of Coldwell Banker Commercial Arnold and Associates As Debtor's Real Estate Agent to market and lease or sell the Debtor's real property and improvements. On June 15, 2017, the Bankruptcy Court granted that application approving the employment.

B. Claims.

The Debtor has listed East West Bank with a secured claim on Schedule D of its schedules. East West Bank has filed a proof of claim asserting a secured claim in the amount of $1,413,479.12. East West Bank did not complete the proof of claim to assert what it believes the value of the collateral is. The claim is based on a promissory note in the original principal amount of $1.5 million, secured by a deed of trust covering the real property and improvements located at 3931 S. MLK Blvd., Port Arthur, Texas and a security agreement covering all of the Debtor's rent proceeds, accounts receivable, furniture, fixtures and equipment. Finally, Titan

and Hoang Tran signed guaranty agreements guarantying the debt. The Debtor anticipates objecting to the claim in part. The Debtor disputes certain default interest that East West Bank charged during a time period that the Debtor contends it was not in default. The Debtor also disputes charges for pre-closing property taxes and costs associated with those taxes. The Debtor contends that these taxes were due prior to the Debtor's purchase of the property. East West Bank paid those charges and has added them to the loan charging the Debtor. Finally, the Debtor disputes certain late payment penalties as the Debtor contends that it was not late in its payment on those dates.

The Debtor has also listed Stephen Mendel with a secured claim on Schedule D of it schedules. The claim is listed as secured by a judgment lien and is disputed. Mr. Mendel has not yet filed a proof of claim. The claim arises from substantial and protracted litigation by the boat repair company against Pleasure Island, Mr. Tran, and other family members. The defendants were all represented by Stephen Mendel under an hourly engagement agreement. Early on in the litigation, Mr. Tran was successful in having all of the claims pending against him dismissed on a summary judgment. The case proceeded against the remaining defendants to trial. After a long and expensive trial, there were unpaid attorney's fees and expenses, and Mr. Mendel sued all of his clients for recovery of a judgment jointly and severally. In 2006, Mr. Mendel obtained a final judgment against Mr. Tran in the principal amount of $250,605.29. The judgment sat dormant for years. In 2012, Mr. Mendel filed suit against Mr. Tran, the Debtor, Titan, Crystal, Irvine and Euro, Inc. (a company owned by Mr. Tran's uncle). The suit claimed that the entities were all alter egos of Mr. Tran and sought a judgment against all of those entities for the amount of the judgment against Mr. Tran. In 2014, the parties entered into a settlement agreement involving entry of an agreed judgment and a covenant not to execute during the payment period under the settlement agreement. The total settlement amount was $100,000.00 to be paid in monthly payments of $5,000.00 beginning in April of 2014. The judgment was secured by an abstract of judgment against the Debtor's property. Mr. Tran funded the settlement payments for the Debtor and made all of the payments timely. Apparently, Mr. Tran deposited the monthly settlement funds into the wrong account one month and the check that was delivered to Mr. Mendel was returned to him for insufficient funds. Mr. Tran cured the error. He sent an email and a text to James Baker, an attorney in Mr. Mendel's office and asked him to re-deposit the check or accept a replacement check. Mr. Baker and Mr. Mendel never responded to this communication. At the end of the payment term, Mr. Mendel did not deposit the last check, which had the notation "payment in full" on the check. The Debtor understands that Mr. Mendel asserts the position that the one returned check constituted a default in payment and the settlement agreement was cancelled. Mr. Mendel is demanding the entire amount of the judgment from Mr. Tran and the Debtor.

The Debtor has listed the Jefferson County Tax Assessor with priority, unsecured tax claims on Schedule E of its schedules. The claims are based on property taxes on a mobile home and the real property and improvements at 3931 S. MLK Blvd., Port Arthur, Texas. Jefferson County has filed a proof of claim asserting a secured tax claim in the amount of $4,360.08 for taxes on the mobile home. Jefferson County has not yet filed a proof of claim for taxes on the real property and improvements.

The Debtor has listed AAA Floodmasters with a nonpriority, unsecured claim on Schedule F of its schedules. The claim is based on possible prepetition damages arising from the Debtor's rejection of its executory contract with AAA Floodmasters. AAA Floodmasters provided clean-up and improvement services to the Debtor on the warehouse structures on the Debtor's real property. The clean-up and improvements is not completed, and AAA Floodmasters left the property in a state of disrepair when it ceased its work. AAA Floodmasters damaged a septic tank on the property, damaged a sewage line, and removed an upstairs floormat. AAA Floodmasters failed to return to the project and failed to complete it. AAA Floodmasters left trash recepticles on the Debtor's property. The Debtor contends that any claim AAA Floodmasters may asset under the executory contract is contingent, unliquidated, and disputed. AAA Floodmasters has not yet filed a proof of claim.

The Debtor anticipates filing an objection to the proof of claim filed by East West Bank to seek disallowance of the alleged prepetition default interest charged during certain periods that the Debtor believes default interest should not have been charged. The Debtor also anticipates filing an objection to any proof of claim filed by Stephen Mendel.

C. Current and Historical Financial Conditions.

The current financial condition of the Debtor is stable and improving. The oil spill is now largely cleaned up and the Gulf and port area is now beginning to thrive again. Certain economic and political factors have recently spurred growth of the liquid natural gas business in Port Arthur and this past year construction of a new liquid natural gas processing plant began. In August of 2015, the Debtor was able to secure a lease with a tenant for access to its dock area. The lease is a five (5) year lease ending in August of 2020 with monthly rent of $10,800.00. Interest by prospective tenants seeking to lease warehouse space in the Debtor's warehouse facility has increased dramatically. Although the Debtor attempted unsuccessfully to lease the space at $1.25 per foot, recently the Debtor has reduced its listing to $0.75 per foot and is receiving serious interest from multiple prospective tenants. The Debtor has approximately 40,000 square feet of rentable warehouse space. If leased at $0.75 per foot, the net operating income would increase from $10,800.00 per month to approximately $40,000.00 per month. At a capitalization rate even as high as 10% applied to net operating income of $480,000.00 per year, this would translate into a fair market value for the property of $4,800,000.00. The Debtor has currently listed the fair market value of the property at $2,000,000.00 in the schedules.

The historical financial condition of the Debtor has been much more bleak. As discussed above, multiple hurricanes caused substantial damage to the Debtor's improvements, and the Deepwater Horizon/BP oil spill crippled the shrimping industry in the Gulf of Mexico and the Port area. This left the Debtor without tenants and with damage to its structures on the property, which caused a substantial decrease in the value of the collateral.

D. Assets of the Debtor.

The Debtor's principal asset is its real property and improvements on the property in the form of warehouse buildings. The property has access to the Port through a bulkhead at its dock and has access to the highway as well. There is also a small mobile home on the property valued

at approximately $15,000.00. The Debtor's real estate agent, Tammiey Linscomb of Coldwell Banker, is currently marketing the real property and improvements for lease or sale. The Debtor recently received interest in a purchase of the property from the Texas Economic Development Corporation. The Debtor is waiting on a purchase offer from the Texas EDC. The Debtor prefers to lease the property, but the Debtor will remain open to purchase offers that are in the best interest of the estate.

Debtor's Reserved Causes of Action for Prosecution: The Debtor has the following causes of action that the Debtor reserves and will transfer to the Newly Reorganized Debtor for prosecution:

a. The Debtor has a valuable litigation claim that it is currently prosecuting for wrongful denial of windstorm insurance claims. That litigation is pending in Jefferson County state district court in a case styled Cause No. E-199614; *Lot, Inc. v. International Catastrophe Insurance Managers, LLC; Boulder Claims, LLC; Michael Cambre; Madsen, Kneppers & Associates, Inc.; Steven Fraasch; and Christopher J. Williams*; In the 172nd Judicial District Court of Jefferson County, Texas. The Debtor has claims for breach of contract, breach of fiduciary duty, breach of the duty of good faith and fair dealing in insurance, violations of the Texas Insurance Code including but not limited to wrongful denial of a claim, and violations of the Texas Deceptive Trade Practices Act. The case is currently in discovery. Special counsel, John Pat Parsons, expects the case to require protracted litigation and possibly a full trial. There are certainly risks inherent in all litigation and there is no assurance of any recovery. Nevertheless, the Debtor feels confident that its alleged damages in excess of $1,000,000.00 will be recovered.

b. The Debtor also has demanded turnover of escrow funds in the amount of $20,000 being held by Texas Regional Title, LLC. The escrow funds were deposited by Tew Real Estate Investment, LLC under a purchase agreement for purchase of the Debtor's real property and improvements. Tew terminated the purchase agreement, and the Debtor believes it is entitled to the escrow funds under the terms of the purchase agreement.

c. There are two promissory notes owned by the Debtor. One note is dated November 16, 2002 in the amount of $30,000.00 executed by Nguyen Van Hong payable to Pleasure Island, but now owned by the Debtor. One note is dated May 20, 2007 in the amount of $32,322.00 executed by Sanh Nguyen payable to Pleasure Island, but now owned by the Debtor.

d. The Debtor has contingent claims against Tuan Van Tran and Platinum Seafood for their alleged fraud against the Debtor in connection with the asset purchase transactions described in the Disclosure Statement.

E. Executory Contracts and Unexpired Leases.

The Debtor was a party to one executory contract and one unexpired lease of nonresidential real property. The Debtor has moved to reject the executory contract and will be assuming the unexpired lease in its Plan.

The executory contract was with AAA Floodmasters. On or about February 17, 2017, the Debtor's principal, Loc Tran, entered into an agreement with AAA Floodmasters, LLC and Henry LaBrie under the terms of which they were to engage in clean-up and site improvements and attempt to secure a lease of the property. Although the contract is signed by Loc Tran as "owner," the contract relates to the Debtor's property and must be assumed or rejected by the Debtor. The Debtor believes, in exercising its best business judgment, that the rejection of the contract is in the best interests of the estate and asks this Court to approve rejection of the contract. AAA Floodmasters, LLC and Mr. LaBrie have not completed the clean-up and improvement work. The property has not yet been leased. There are little if any damages that could be asserted as a result of the Debtor's rejection of the contract. It is in the best interest of the estate for the Debtor to engage a contractor to bid for the remaining repairs and pay for the repairs from proceeds of rent. It is also in the best interest of the estate for the Debtor to engage Caldwell Banker directly to broker a lease with a tenant for the warehouse space at a usual and customer fee percentage. If the Debtor were to assume this contract, 35% of the net proceeds of its rentals would disappear to AAA Floodmasters, LLC and would result in a gross windfall to AAA Floodmasters, LLC.

The unexpired lease was entered into in August of 2015, with T Seafood Co., Inc. for lease of dock access for unloading shrimp. The lease is a five year lease terminating in 2020 and has monthly rent of $10,800.00. If warehouse space is leased, that monthly rent will be reduced to $5,000.00.

IV.

SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Impaired Claims and Equity Interests and Their Treatment.

The Debtor's Plan provides for five (5) classes of claims and interests. There is a class for the secured claim of East West Bank, a class for the secured claim of Stephen Mendel, a class for the secured claim of Jefferson County Tax Assessor, a class for the general unsecured claims, and a class for the holders of equity interests in the Debtor. This Plan also provides for the payment of administrative, priority claims. The classification of those classes and their treatment is detailed below.

The Debtor anticipates having fees due to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6). Those fees will be paid on the Effective Date. The Debtor also anticipates having certain other administrative expense claims of its professionals, such as Wauson | Probus, general

counsel to the Debtor, and Lindsay, Lindsay & Parsons, special litigation counsel to the Debtor. Those administrative expense claims will be paid in cash, in full when allowed, or if allowed then on the Effective Date, or as agreed to between the Debtor and the administrative claimant.

1. Classification of Claims.

The classes of claims that will be treated in the Plan are as follows:

Class 1. This class consists of the allowed, secured portion of the claim of East West Bank on the promissory note dated April 10, 2007, in the original principal amount of $1,500,000.00.

Class 2. This class consists of the allowed, secured claim of Stephen Mendel.

Class 3. This class consists of all allowed, secured tax claim of Jefferson County Tax Office, which also qualify as allowed, unsecured priority taxes described by § 507(a)(8) of the Code.

Class 4. This class consists of all allowed, general nonpriority unsecured claims.

Class 5. This class consists of all allowed, equity holders of the Debtor.

2. Treatment of Claims by Class.

a. Non-Classified Claims.

Claims and interests shall be treated as follows under this Plan. Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class. One category of such claims are fees owed to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6). All fees required to be paid by 28 U.S.C. §1930(a)(6) (U.S. Trustee Fees) will accrue and be timely paid. To the extent there are such fees due and owing on the confirmation date, such fees will be paid in cash in full on the Effective Date. Other U.S. Trustee Fees incurred after the confirmation date will be paid timely until the case is closed. Another form of administrative expenses are costs or expenses of administering the Debtor's chapter 11 case, which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment. Holders of these other forms of allowed administrative expense claims shall be paid in cash, in full, on the Effective Date, or as agreed between the Debtor and such holder of administrative expense claim.

b. Classified Claims.

The Debtor will treat the holders of allowed claims and interests in Classes 1 – 5 as follows:

Class 1 Claim: The holder of the allowed class 1 claim shall retain its liens. The Debtor shall make interest only payments at prime plus 1.0% (prime interest being the rate published in the Wall Street Journal on the Effective Date) for the first twelve months after the Effective Date, with the first such payment due on the Effective Date. If the Debtor has obtained a lease with an additional tenant on or before the expiration of twelve months after the Effective Date, the Debtor shall pay the remainder of the Allowed Class 1 Claim in cash in full by making payments of principal and interest in monthly cash payments amortized over a period of fifteen years at prime plus 1.0% (prime interest being the rate published in the Wall Street Journal on the Effective Date), with the first such payment beginning on the tenth day of the month following the expiration of twelve months after the Effective Date. If the Debtor has not obtained such a lease, the Debtor shall make principal and interest payments amortized over a fifteen (15) year period for sixty (60) months, and at the expiration all remaining principal, interest, and fees shall be due and payable in full.

Class 2 Claims: The holder of the allowed class 2 claim shall retain his judgment lien and be paid in cash, in full in equal monthly payments over a period of thirty-six months from the Effective Date.

Class 3 Claims: The holder of the allowed class 3 claim shall be paid in cash, in full in equal monthly payments over a period of sixty (60) months from the petition date.

Class 4 Claims: The holders of the allowed class 4 claims shall be paid in cash, in full in equal monthly payments over a period of sixty (60) months from the Effective Date.

Class 5 Claims: The holders of allowed class 5 interests shall retain their interests

C. Implementation of the Plan.

On the Effective Date, the Newly Reorganized Debtor will execute all other documents necessary to the implementation of the Plan and the Order of Confirmation. All property of the estate shall be transferred to the Newly Reorganized Debtor.

E. Other Provisions of the Plan.

1. Provisions Governing Distribution.

(a) Requirement for Allowance of Claims and Equity Interests. No payment or other distribution will be made on account of any claim or Equity Interest that is not "allowed". The plan defines an "Allowed Claim" as: (i) a Claim which has been allowed by Final Order of the Court; (ii) a Claim timely filed with

the Clerk of the Court or scheduled as other than unliquidated, disputed or contingent by the Debtor in its Schedules and Statement of Financial Affairs or Amended Schedules and Amended Statement of Affairs filed with the Court, as to which Claim no objection to the allowance thereof has been timely filed, or as to which Claim either an objection to the Claim or an application to amend the Schedules with respect to such Claim has resulted in the allowance of the Claim, in whole or in part, by Final Order of the Court; (iii) a Claim whose amount is established as a provision of the Plan; or (iv) a right to payment from the Estate Property for compensation or reimbursement as approved by the Court by Final Order. The Plan defines "Final Order" as an order or judgment, which is no longer subject to appeal or review. Any order or judgment which is pending a timely filed motion to correct or amend the order or judgment pursuant to F.R.B.P. 7052 or 9023 or which is pending a timely filed notice of appeal pursuant to F.R.B.P. 8002 shall not be considered a Final Order until after all such motions and appeals are exhausted. The bar date deadline for filing proofs of claim is not yet set, but when it is set it will serve as the Bar Date.

(b) Date and Delivery of Distribution. Distributions of cash under the plan will be made by the Newly Reorganized Debtor beginning on the Effective Date.

(c) Means of Cash Payment and Time Bar. Cash payments to be made by the Reorganized Debtor pursuant to the Plan will be made in U.S. funds by check drawn on a domestic bank. Checks issued in respect of Allowed Claims will be null and void if not cashed within 90 days of the date of issuance thereof. Any claim in respect of such a voided check must be made on or before the later of the first anniversary of the distribution date or 90 days after the date of issuance of such check. After such date, all claims in respect of void checks will be discharged and forever barred.

2. Provisions for Resolving Contested Claims.

(a) Filing Pre-Petition Claims. Creditors must have filed their proofs of claims with respect to pre-petition claims on or before the Bar Date, after which date any proof of claim filed will have no effect on the Plan and no right to participate with other creditors under the Plan.

(b) Objection Deadline. Except as otherwise set forth in the Plan or as otherwise extended or ordered by the Bankruptcy Court, all objections to pre-petition claims and/or post-petition administrative expense claims must be filed no later than one hundred twenty days (120) days after the Effective Date (unless such day is not a Business Day; in which case, such deadline will be the next Business Day thereafter unless extended by an order of the Bankruptcy Court). An objection to a Claim will be deemed properly served on the holder thereof if service is effected by any of the following methods: (a) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004; (b) to the extent counsel for a Claimant is unknown, by first-class mail, postage prepaid, on the signatory on

the proof of Claim or other representative identified on the proof of Claim or any attachment thereto; or (c) by first-class mail, postage prepaid, on any counsel that has appeared on the behalf of the Claimant in the Bankruptcy Case.

(b) Notwithstanding any other provision of the Plan, the Holders of contested claims that are in dispute and pending allowance shall receive no payment or distribution until and unless this Court enters an order allowing such claim in a liquidated sum and any post-judgment motions and appeals with respect to such order are resolved and exhausted. Payment is then subject to the terms of the Plan.

(c) Post-Confirmation Amendments to Proofs of Claims. Except as otherwise provided in the Plan, following the Confirmation Date, a Claim may not be amended unless such amendment results in a decrease of the amount of the Claim, change in priority of the Claim to a lower priority under the Bankruptcy Code, or withdrawal of Claim. Any unauthorized amendment shall be deemed null, void, and of no force or effect.

(d) Claims Estimation. The Reorganized Debtor may request estimation or limitation of any contingent, unliquidated, or Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether that Claim was previously objected to or whether the Bankruptcy Court has ruled on any such objection; provided, however, that the Bankruptcy Court will determine (a) whether such Disputed Claims are subject to estimation pursuant to Section 502(c) of the Bankruptcy Code and (b) the timing and procedures for such estimation proceedings, if any. The Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. If the Bankruptcy Court estimates any contingent, unliquidated, or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Reorganized Debtor may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation, and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Plan or the Bankruptcy Court.

(e) No Distributions on Disputed Claims Pending Allowance. No Distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by a Final Order and the Disputed Claim has become an Allowed Claim. The Reorganized Debtor may, in his sole

discretion, withhold Distributions otherwise due hereunder to the holder of a Claim until the Objection Deadline to enable the Reorganized Debtor to file a timely objection thereto. When a Disputed Claim becomes an Allowed Claim, the Reorganized Debtor shall make Distributions with respect to such Allowed Claim, without interest (except as otherwise provided in this Plan), net of any setoff and/or any required withholding of applicable taxes.

(f) Distribution Reserve Account. On or after the Effective Date, the Reorganized Debtor will establish a Distribution Reserve Account as is appropriate, in its sole and absolute discretion, for the benefit of holders of Disputed Claims pending the allowance thereof, the amount of which will be adjusted from time to time as appropriate. A Claimant will not be entitled to receive or recover any amount in excess of the amount provided in the Distribution Reserve Account specifically reserved to pay such Claim unless permitted by Order of the Bankruptcy Court. Nothing in the Plan will be deemed to entitle the holder of a Disputed Claim to post-petition interest on such Claim, if Allowed, unless otherwise required under the Bankruptcy Code or the Plan.

(g) Distributions After Allowance. Payments and Distributions from the Distribution Reserve Account to each respective holder of a Disputed Claim, to the extent it becomes an Allowed Claim, will be made in accordance with the provisions of the Plan that govern Distributions to such holders of Claims in the Class in which such Claimant is classified. Unless otherwise provided in the Plan, as promptly as practicable after the date on which a Disputed Claim becomes undisputed, non-contingent, liquidated and Allowed, and in no event later than thirty (30) days after the Disputed Claim becomes an Allowed Claim, the Reorganized Debtor will distribute to the Claimant the property from the Distribution Reserve Account that would have been distributed to such Claimant had its Claim been an Allowed Claim on the date that Distributions were previously made to holders of Allowed Claims in the Class in which such Claimant is classified under the Plan. After all Disputed Claims have been resolved and all such Claims that become Allowed Claims have been paid in full, any remaining property in the Distribution Reserve Account will be distributed the Reorganized Debtor.

(h) Allowance of Claims Subject to Bankruptcy Code Section 502(d). Allowance of Claims will, in all respects, be subject to the provisions of Section 502(d) of the Bankruptcy Code, except as provided by a Final Order of the Bankruptcy Court or a settlement among the relevant parties.

3. Miscellaneous Provisions.

(a) Recognition of Guarantee and Subordination Rights. The classification and manner of satisfying all claims under this plan takes into consideration (a) the existence of guarantees by the Debtor of obligations of other persons, (b) the fact that the Debtor may be a joint obligor with another person or persons with

respect to the same obligation, and (c) any contention by holders of claims against the Debtor that the Claims of other holders are subordinated by contract or otherwise to their Claims. All Claims against the Debtor are based upon the express requirement and terms of this Plan that any such guarantees, subordination claims or joint obligations shall be discharged in the manner provided in this Plan, and which holders of such Claims shall be entitled to only one distribution with respect to any obligation of the Debtor. All Claims against the Debtor, and all rights and claims between or among holders of Claims relating in any manner whatsoever to Claims against the Debtor, based upon any claimed subordination rights or rights to avoid payments or transfers of property pursuant to any provision of the Bankruptcy Code or other applicable law, shall be deemed satisfied by the distributions under this Plan to holders of claims hereunder and shall not be subject to levy, garnishment, attachment, or like legal process by any holder of a Claim by reason of any claim subordination rights or otherwise, except as otherwise provided herein, so that each holder of a Claim shall have and receive the benefits of the distributions in the manner set forth in this plan.

(b) Injunction and Stay of Proceedings. Unless otherwise specified in this Plan, all Entities who have held, hold, or may hold Claims against the Debtor and Hoang-Oanh T. Tran are permanently enjoined on and after the Effective Date for so long as the Debtor complies with the terms of the Plan and makes all Plan payments timely from: (a) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim against the Debtor and Hoang-Oanh T. Tran; (b) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Debtor and Hoang-Oanh T. Tran with respect to any such Claim; (c) creating, perfecting, or enforcing any encumbrance of any kind against the Debtor and Hoang-Oanh T. Tran or against property of the Debtor and Hoang-Oanh T. Tran with respect to any such Claim; (d) from asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due the Debtor or against property of the Debtor and Hoang-Oanh T. Tran with respect to any such Claim; (e) conducting any form of discovery from the Debtor and Hoang-Oanh T. Tran with respect to any such Claim; and/or (f) harassing the Debtor and Hoang-Oanh T. Tran. Unless otherwise provided in this Plan, all injunctions or stays set forth in Sections 105 and 362 of the Bankruptcy Code (11 U.S.C. §§ 105 and 362) shall remain in full force and effect until the Effective Date of the Plan rather than the Confirmation Date. However, this shall not be construed as a limitation of the permanent injunctions provided for in the Plan.

(c) Property of the Estate/Payments. All of the assets of the Debtor shall be transferred to the Newly Reorganized Debtor on the Effective Date and shall cease to constitute property of the estate. The payments required under the Plan are the only payments to be made to the Holders of Allowed Claims, and no others, in satisfaction of such Allowed Claims.

(d) U.S. Trustee Requirements. Until the Effective Date, the Debtor shall be responsible for timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6) as provided for in the Plan. After the Effective Date, the Newly Reorganized Debtor shall file with the Court and serve upon the United States Trustee on behalf of the Debtor a quarterly financial report for each quarter or portion thereof that the case remains open in a format prescribed by the United States Trustee and provided to the Debtor by the United States Trustee.

4. Consummation of the Plan.

(a) Retention of Jurisdiction. The plan provides that the Court shall retain exclusive jurisdiction over the Debtor's chapter 11 case to determine, among other things, all disputes relating to claims, adversary proceedings, all issues presented by, arising or stated in the plan, and all matters pending on the Effective Date.
(b) Modification of the Plan. The Debtor may amend or modify the plan before or after confirmation in accordance with the provisions of Section 1127 of the Bankruptcy Code.
(c) Revocation of the Plan. The Debtor may revoke and withdraw the plan at any time prior to confirmation.

F. Federal Income Tax Consequences of the Plan on the Debtor and the Creditors.

1. Introduction.

The following discussion summarizes certain significant U.S. federal income tax consequences of the transactions that are described herein and in the Plan that affect holders of Claims or Interests and the Debtor. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), the Treasury Department regulations promulgated thereunder (the "Treasury Regulations"), judicial authority and current administrative rulings and practice now in effect. These authorities are all subject to change at any time by legislative, judicial or administrative action, and such change may be applied retroactively in a manner that could adversely affect holders of Claims or Interests and the Debtor. The federal income tax consequences to any particular holder of a Claim or Interests may be affected by matters not discussed below. For example, the impact of the Plan under any foreign, state or local law is not discussed. Further, this summary generally does not address the tax consequences to Claim holders who may have acquired their Claims from the initial holders nor does it address the tax considerations applicable to Claim holders or Interest holders that may be subject to special tax rules such as financial institutions, insurance companies, dealers in securities or currencies, tax-exempt organizations or taxpayers subject to the alternative minimum tax. To the extent that the summary of payments to Claimholders in this section conflicts with other parts of this Disclosure Statement or the Plan, the discussion in such other parts of the Disclosure Statement or the Plan shall govern.

NO RULING WILL BE SOUGHT FROM THE INTERNAL REVENUE SERVICE (the "IRS"), AND NO OPINION OF COUNSEL HAS BEEN OR WILL BE SOUGHT, WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN. THE DISCUSSION SET FORTH BELOW IS FOR GENERAL INFORMATION ONLY. THIS DESCRIPTION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTOR OR HOLDERS OF CLAIMS OR INTERESTS. EACH CLAIM AND INTEREST HOLDER IS URGED TO CONSULT WITH ITS OWN TAX ADVISER REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

2. Federal Income Tax Consequences to Debtor.

Generally, a taxpayer recognizes cancellation of indebtedness ("COD") income upon satisfaction of its outstanding indebtedness for less than its adjusted issue price. The amount of COD income is, in general, the excess of (i) the adjusted issue price of the indebtedness satisfied, over (ii) the issue price of any new indebtedness issued by the taxpayer, the amount of cash and the fair market value of any other consideration (including stock of the taxpayer) given in exchange for the indebtedness satisfied. However, COD income is not included in gross income to a debtor if the discharge occurs in a Title 11 case or the discharge occurs when the debtor is insolvent. Rather the debtor generally must, after determining its tax for the taxable year of discharge, reduce its net operating losses ("NOL(s)") and any capital loss carryovers first and then, as of the first day of the next taxable year, reduce the tax basis of its assets by the amount of COD income excluded from gross income by this exception. The Debtor does not expect there to be any tax effect to the Debtor as a result of the Plan.

3. Consequences to Holders of Claims.

The federal income tax consequences of the implementation of the Plan to a holder of a Claim will depend, among other things, upon the origin of the holder's Claim, when the holder's Claim becomes an Allowed Claim, when the holder receives payment in respect of such Claim, whether the holder reports income using the accrual or cash method of accounting, whether the holder has taken a bad debt deduction or worthless security deduction with respect to such Claim and whether the holder's Claim constitutes a "security" for federal income tax purposes. Generally, a holder of an Allowed Claim will realize gain or loss on the exchange under the Plan of its Allowed Claim for stock and other property (such as Cash and new debt instruments), in an amount equal to the difference between (i) the sum of the amount of any Cash, the issue price of any debt instrument, and the fair market value on the date of the exchange of any other property received by the holder (other than any consideration attributable to a Claim for accrued but unpaid interest) and (ii) the adjusted basis of the Allowed Claim exchanged therefor (other than basis attributable to accrued but unpaid interest previously included in the holder's taxable income). The treatment of accrued but unpaid interest and amounts allocable thereto varies depending on the nature of the holder's claim and is discussed below.

Whether or not such realized gain or loss will be recognized (i.e., taken into account) for federal income tax purposes will depend in part upon whether such exchange qualifies as a recapitalization or other "reorganization" as defined in the Tax Code, which may in turn depend

upon whether the Claim exchanged is classified as a "security" for federal income tax purposes. The term "security" is not defined in the Tax Code or in the Treasury Regulations. One of the most significant factors considered in determining whether a particular debt instrument is a security is the original term thereof. In general, the longer the term of an instrument, the greater the likelihood that it will be considered a security. As a general rule, a debt instrument having an original term of 10 years or more will be classified as a security, and a debt instrument having an original term of fewer than five years will not. Debt instruments having a term of at least five years but less than 10 years are likely to be treated as securities, but may not be, depending upon their resemblance to ordinary promissory notes, whether they are publicly traded, whether the instruments are secured, the financial condition of the debtor at the time the debt instruments are issued and other factors. Each holder of an Allowed Claim should consult his or her own tax advisor to determine whether his or her Allowed Claim constitutes a security for federal income tax purposes.

The Debtor intends to take the position that all payments in respect of Allowed Claims will be first allocated to the principal amount of the Allowed Claim, with any excess allocated to accrued unpaid interest. However, there is no assurance that such allocation would be respected by the IRS for federal income tax purposes. In general, to the extent any amount received by a holder of an Allowed Claim is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally will recognize a deductible loss to the extent any accrued interest claimed was previously included in gross income and is not paid in full. Each holder of an Allowed Claim is urged to consult its tax advisor regarding the allocation of consideration and deductibility of unpaid interest for tax purposes. A holder, who, under his accounting method, was not previously required to include in income, accrued but unpaid interest attributable to its existing Claims, and who exchanges its interest Claim for cash, or other property, pursuant to the Plan will be treated as receiving ordinary interest income to the extent of any consideration so received allocable to such interest, regardless of whether that holder realizes an overall gain or loss as a result of the exchange of its existing Claims.

Allowed Claims will be paid from the operating income of the Newly Reorganized Debtor. A claimholder's tax basis in a Claim should generally equal the amount included in income as a result of the provision of goods or services to the debtor, except to the extent that a bad debt loss had previously been claimed. The gain or loss should be capital gain or loss under Section 1221 of the Tax Code to the extent that the Claim did not arise in the ordinary course of trade or business for services rendered or from the sale of inventory to the Debtor, in which case such gain or loss should generally be ordinary. Any capital gain or loss recognized by a holder of a Claim should be long-term capital gain or loss with respect to Claims held for more than one year.

4. <u>Withholding and Reporting.</u>

The Newly Reorganized Debtor will withhold all amounts required by law to be withheld and will comply with all applicable reporting requirements of the Tax Code. Under the Tax Code, interest, dividends and other "reportable payments" may under certain circumstances be subject to "backup withholding" at a rate equal to the fourth lowest rate of tax under Section 1(c) of the Tax Code. Backup withholding generally applies if the Holder (i) fails to furnish his social

security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails to report interest or dividends or (iv) under certain circumstances fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is his correct number and the Holder is not subject to backup withholding. Your ballot contains a place to indicate your TIN.

AS INDICATED ABOVE, THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS OR HER OWN TAX ADVISER REGARDING THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO THAT ENTITY.

V.

VOTING PROCEDURES AND REQUIREMENTS

A. Ballots and Voting Deadline.

A ballot to be used for voting to accept or reject the plan together with postage paid return envelope, is enclosed with all copies of this Disclosure Statement. BEFORE COMPLETING YOUR BALLOT, PLEASE READ CAREFULLY THE VOTING INSTRUCTION SHEET THAT ACCOMPANIES THE BALLOT.

As indicated above, the Bankruptcy Court has directed that, in order to be counted for voting purposes, ballots for the acceptance or rejection of the plan must be received by the Debtor's counsel on or before _____, 2017, at the following address:

Wauson ♦ Probus
One Sugar Creek Center Blvd., Suite 880
Sugar Land, Texas 77478
Fax No.: (281) 242-0306
Email: mbprobus@w-plaw.com

YOUR BALLOT WILL NOT BE COUNTED IF IT IS RECEIVED AT THE ABOVE ADDRESS AFTER _____, 2017.

B. Parties in Interest Entitled to Vote.

Any holder of a claim against in the Debtor whose claim or interest is impaired under the plan is entitled to accept or reject the plan if either (i) its claim has been scheduled by the Debtor and such claim is not scheduled as disputed, contingent or unliquidated, or (ii) it has filed a timely proof of claim, on or before the last date set by the Bankruptcy Court for such filings, such date to be set by the Court, and the Debtor or Newly Reorganized Debtor has not filed an objection to that proof of claim or (iii) the Debtor or Newly Reorganized Debtor has agreed to the amount and treatment of such claim as provided under the Plan. Any claim which the Debtor

has listed as disputed, contingent, or unliquidated or as to which an objection has been filed is not entitled to vote, unless the Bankruptcy Court, upon application of the holder whose claim has been so listed or objected to, temporarily allows the claim in an amount that it deems proper for the purpose of accepting or rejecting the plan. A vote may be disregarded if the Bankruptcy Court determines that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. IF YOU HAVE ANY QUESTIONS REGARDING THE PROCEDURES FOR VOTING ON THE PLAN, PLEASE CONTACT THE OFFICE OF THE DEBTOR'S COUNSEL.

Matthew B. Probus
Wauson ♦ Probus
One Sugar Creek Center Blvd., Suite 880
Sugar Land, Texas 77478
Telephone No.: (282) 242-0303
Fax No.: (281) 242-0306
Email: mbprobus@w-plaw.com

C. Definition of Impairment.

A class of claims and equity interests is impaired under a plan of reorganization unless, as set forth in section 1124 of the Bankruptcy Code, with respect to each claim or equity interest of such class, the plan:

1. Leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or interest.
2. Notwithstanding any contractual provision or applicable law that entitles the holder of the claim or interest to demand or receive accelerated payment of such claim or interest after the occurrence of a default:
   (a) cures any default that occurred before or after the commencement of the case under this title other than the default of the kind specified in section 365(b)(2) of the Bankruptcy Code;
   (b) reinstates the maturity of such claim or interest as such maturity existed before such default;
   (c) compensate the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and
   (d) does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder of such claim or interests; or
3. Provides that, on the Effective Date of the plan, the holder of such claim or interest receives, on account of such claim or interest, cash equal to:
   (a) with respect to a claim, the allowed amount of such claim; or
   (b) with respect to an interest, if applicable, the greater of:
      (i) any fixed liquidation preference to which the terms of any security representing such interest entitle the holder of such interest; or
      (ii) any fixed price at which the Debtor, under the terms of the security, may redeem such security from such holder.

D. Classes Impaired Under the Plan.

All classes are impaired classes of claims under the Debtor's Plan.

E. Vote Required for Class Acceptance.

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of at least 2/3 in amount, and more than ½ in number, of the claims of that class that actually casts ballots for acceptance or rejection of the plan. Thus, class acceptance takes place only if 2/3 in amount and a majority in number of the holders of claims voting cast their ballots in favor of acceptance.

The Bankruptcy Code defines acceptance of a plan by a class of Equity Interests as acceptance by holders of at least 2/3 in amount of the Equity Interests of that class that actually cast ballots for acceptance or rejection of the plan. Thus, class acceptance takes place only if 2/3 in amount of the holders of Equity Interests voting casts their ballots in favor of acceptance.

VI.

CONFIRMATION OF THE PLAN

A. Confirmation Hearing.

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the plan. By order of the Bankruptcy Court, the Bankruptcy Court will consider final approval of the Disclosure Statement and confirmation of the Plan at the Hearing scheduled for _____, 2017, at _____ o'clock __.m. (Houston Time) in Courtroom 403, United States Courthouse, 515 Rusk Street, 4th Floor, Houston, Texas. The confirmation may be adjourned from time to time by the Bankruptcy Court without further notice accept for an announcement made at the confirmation hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the plan. Any objection to confirmation of the plan must be made in writing and filed with the Bankruptcy Court and served via facsimile, mail or hand delivery, upon the Debtor, the United States Trustee, and those parties requesting notice, together with proof of service, on or before _____, 2017.

Objections to confirmation of the plan are governed by Bankruptcy Rule 9014. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

B. Requirements for Confirmation of the Plan.

At the confirmation hearing the Bankruptcy Court shall determine whether the Bankruptcy Code's requirements for confirmation of the plan have been satisfied, in which event the Bankruptcy Court shall enter an order confirming the plan. As set forth in Section 1129 of the Bankruptcy Code, these requirements are as follows:

1. The plan complies with the applicable provisions of the Bankruptcy Code.
2. The proponent of the plan complies with the applicable provisions of the Bankruptcy Code.
3. The plan has been proposed in good faith and not by any means forbidden by law.
4. Any payment made or to be made by the proponent, by the Debtor, or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in, or in connection with the case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Court as reasonable.
5. (a) (i) the proponent of the plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the Debtor, an affiliate of the Debtor participating in a joint plan with the Debtor, or a successor to the Debtor under the plan; and
   (ii) the appoint to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security holders and with public policy; and
   (b) The proponent of the plan has disclosed the identity of any insider that will be employed or retained by the reorganized Debtor, in the nature of any compensation for such insider.
6. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the Debtor has approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.
7. With respect to each class of impaired claims or Equity Interests;
   (a) Each holder of a claim or interest of such class:
      (i) has accepted the plan; or
      (ii) will receive or retain under the plan on account of such claim or interest property of the value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code on such date; or
   (b) If section 1111 (b) (2) of the Bankruptcy Code applies to the claims of such class, the holder of the claim of such class will receive or retain under the plan on account of such claim property of a value, as of the Effective Date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.
8. With respect to each class of claims or interests:
   (a) Such class has accepted the plan; or
   (b) Such class is not impaired under the plan;
9. Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that:
   (a) With respect to a claim of the kind specified in section 507(a)(2) or 507(a)(3) of the Bankruptcy Code, on the effective date of the plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

(c) With respect to a class of claims of the kind specified in section 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6), or 507(a)(7) of the Bankruptcy Code, each holder of the claim of such class will receive:
   (i) if such class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or
   (ii) if such class has not accepted the plan, cash on the Effective Date of the plan equal to the allowed amount of such claim; and

(d) With respect to a claim of the kind specified in section 507(a)(8) of the Bankruptcy Code, the holder of a claim will receive on account of such claim regular installment payments in cash of a total value, as of the Effective Date of the Plan, equal to the allowed amount of such claim, over a period ending not later than 5 years after the date of the order for relief under section 301, 302, or 303, and in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the plan (other than cash payments made to a class of creditors under section 1122(b)).

10. If a class of claims is impaired under the plan, at least one class of claims that is impaired has accepted the plan, determined without including any acceptance of the plan by any insider.
11. Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor under the plan, unless such liquidation or reorganization is proposed to the plan.
12. All fees payable under section 1930 of title 28, as determined by the court at the hearing on confirmation of the plan, have been paid or the plan provides for the payment of all such fees on the effective date of the plan.
13. The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of this title, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114 of this title, at any time prior to confirmation of the plan, for the duration of the period the debtor has obligated itself to provide such benefits.
14. If the debtor is required by a judicial or administrative order, or by statute, to pay a domestic support obligation, the debtor has paid all amounts payable under such order of such statute for such obligation that first become payable after the date of the filing of the petition.
15. All transfers of property of the plan shall be made in accordance with any applicable provisions of nonbankrupcty law that govern the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation or trust.

(a) the value, as of the effective date of the plan, of the property to be distributed under the plan on account of such claim is not less than the amount of such claim; or

(b) the value of the property to be distributed under the plan is not less than the projected disposable income of the debtor (as defined in section 1325(b)(2) to be received during the 5-year period beginning on the date that the first payment is due under the plan, or during the period for which the plan provides payments, whichever is longer.

The Debtor believes that the plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code, that it has complied or will have complied with all of the requirements of Chapter 11, and that the proposal of the plan is made in good faith.

The Debtor believes that the holders of all claims impaired under the plan will receive payments or distributions under the plan having a present value as of the Effective Date in amounts not less than the amounts likely to be received by such holders if the Debtor were liquidated in a case under chapter 7 of the Bankruptcy Code. At the confirmation hearing, the Bankruptcy Court will determine whether holders of claims would receive greater distributions under the plan than they would receive in liquidation under chapter 7. A discussion of the Debtor's liquidation analysis is provided below.

The Debtor also believes that confirmation of the plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor to the Debtor under the plan. Attached as Exhibit C hereto is a projected cash flow statement showing the cash flow that is projected for the Newly Reorganized Debtor for the years 2017 – 2022.

C. Cramdown.

In the event that any impaired class of claims or Equity Interests does not accept the plan, the Bankruptcy Court may still confirm the plan at the request of the Debtor if, as to each impaired class which has not accepted the plan, the plan "does not discriminate unfairly" and is "fair and equitable." The plan of reorganization does not discriminate unfairly which in the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims.

"Fair and equitable" has different meanings with respect to the treatment of secured and unsecured claims. As set forth in section 1129(b)(2) of the Bankruptcy Code, those meanings are as follows:

(1) With respect to a class of secured claims:

(a) (i) The plan provides that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the Debtor or transferred to another entity, to the extent of the allowed amount of such claims; and

(ii) that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the Effective Date of the plan, of at least the value of such holder's interest in the estate's interest in such property;

(b) for the sale, subject to section 363 (k) of the Bankruptcy Code, of any property that is subject to the lien securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (a) and (b) of this subparagraph; or

(c) for the realization by such holders of the indubitable equivalent of such claims.

(2) With respect to a class of unsecured claims:

(a) the plan provides that each holder of a claim of such class receive or retain on the account of such claim property of a value, as of the Effective Date of the plan, equal to the allowed amount of such claim; or
(b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property.

(3) with respect to a class of interests:

(a) the plan provides that each holder of an interest of such class receive or retain on account of such interest property of a value, as of the Effective Date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price which such holder is entitled, or the value of such interest; or
(b) the holder of any interest that is junior to the interest of such class will not receive or retain under the plan on account of such junior interests any property.

In the event that one or more classes of impaired claims rejects the plan, the Bankruptcy Court will determine at the confirmation hearing whether the plan is fair and equitable with respect to and does not discriminate unfairly against any rejecting impaired class of claims.

VII.

ALTERNATIVES TO CONFIRMATION AND CONSUMATION OF PLAN

The Debtor believes that the Plan is feasible and will not lead to further reorganization or liquidation. The Plan proposes to pay 100% of the Allowed Claims, including the Allowed Unsecured Claims.

VIII.

CONCLUSION

All holders of claims against the Debtor are urged to vote to accept the plan and to evidence such acceptance by returning their ballots so that they will be received by the deadline for voting which is _____, 2017.

LOT, INC.

By: _____
Loc Tran, President

WAUSON PROBUS

By: _____
Matthew B. Probus
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