

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

IN RE: §
§
CELTIC CONCEPTS, LTD., § **Case No. 16-32610-H1-11**
§ **(Chapter 11)**
Debtor. §

**DEBTOR'S FIRST AMENDED DISCLOSURE STATEMENT WITH RESPECT TO
FIRST AMENDED PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE
FOR CELTIC CONCEPTS, LTD.**

DATED: June 14, 2016

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EXHIBITS

- A. First Amended Plan of Reorganization under Chapter 11 of the Bankruptcy Code for Celtic Concepts, Ltd.
- B. Liquidation Analysis
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- D. Cash Flow Statements for Periods of 1/1/16 – 4/30/16 and 5/24/16 – 6/14/16
- E. Projected Financial Statement for 2016 - 2020
- F. Partnership Agreement of Celtic Concepts, Ltd.
- G. Company Agreement of Ceana, LLC

**DISCLOSURE STATEMENT WITH RESPECT TO
PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE
FOR CELTIC CONCEPTS, LTD.**

Celtic Concepts, Ltd., the Debtor and Debtor-in-Possession in the above referenced chapter 11 case (“Debtor”), hereby submits this Debtor’s First Amended Disclosure Statement with Respect To First Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Celtic Concepts, Ltd. as conditionally approved on June 15, 2016 (the “Disclosure Statement”), in connection with the solicitation of acceptances of the First Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Celtic Concepts, Ltd. (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 general partner Ceaná, LLC (“Ceaná”), the financial documents and tax returns of the Debtor, the historical and projected financial statements 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 12 - 14 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 _____, 2016, at _____ .m. Central Standard Time in Courtroom ____, 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 _____, 2016, at _____ o’clock __.m. (the “Hearing”). You have until 12:00 o’clock p.m. (Houston Time) on _____, 2016, 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 _____, 2016, at 12:00 p.m. (Houston Time). 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 no later than 12:00 p.m. (Houston Time) on _____, 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 12:00 P.M. (HOUSTON TIME) ON _____, 2016.

II.

GENERAL INFORMATION ABOUT THE DEBTOR

A. Description and History of the Debtor's Business.

The Debtor operates a restaurant and pub located on the Waterway in The Woodlands, Texas. The restaurant overlooks the Woodland's Waterway just a short walk down from the Cynthia Woods Mitchell Pavilion. It has outdoor patios both upstairs and downstairs. It seats approximately 300 patrons. There is a full service bar that serves beer, wine, and mixed drinks/cocktails. The kitchen is a full service kitchen. The restaurant serves lunch and dinner. The food is a mixture of European/Irish and American fare. It takes at least one on-site manager, 8 kitchen staff, two hosts, four bar staff, and 20 waitstaff to operate the restaurant at any given time. The general manager of the restaurant is Brandi Watkins who has been the general manager since the restraunts opening in 2006. James Brian Young ("Young"), the President of Ceana, LLC ("Ceana"), the general partner of the Debtor, oversees the general manager, all operations and financial and legal affairs of the Debtor.¹

The origin of "The Goose's Acre" was a small triangular green park at the junction of the northern approach roads to the Main Street of Midleton, County Cork. Landscaped with a variety of flowerbeds, shrubs and trees, the "acre" formed an attractive amenity feature that was admired

¹ The Debtor's beer, wine, and liquor sales are provided by Gaelic Beverages, Inc. under the Alcoholic Beverage Concession And Management Services Agreement dated January 5, 2006. Under that agreement, Gaelic purchases all alcoholic beverages for the Debtor, manages its sales and the payment of taxes on those sales, and holds the alcoholic beverage licenses to do so.

by visitors to the town. The town's horse-trough and weighbridge, both necessities in times past, were also located there. For over a century it was a landmark that the townspeople were very proud of. It was an important focal location for local ceremonies. In the center of the plot stood a flagpole where on special occasions the National Flag of Ireland was flown. Once a year, from 1920 to 1978 this special little area became hallowed ground, being the location for the Benediction Service during the annual Corpus Christi Possession.

It is believed the name "The Goose's Acre" derived from the fact that in former times a local resident, Kate Barr, grazed her gaggle of geese there daily. Now all that remains of "The Goose's Acre" is the portion on which the monument of the War of Independence is situated and the recently erected ogham stone commemorating the United Irishman John Walsh, "The Blacksmith of Ballyannon."

The late Ray Lawton was known to recite this verse when lamenting the removal of "The Goose's Acre" in 1978, to make way for the roundabout.

They Shot the Felon
Who Stole the Goose
From Out the Acre,
But Let the Greater
Felons Loose,
Who Stole the Acre
From the Goose

The Goose's Acre Irish Pub stood on Main Street, Midleton, County Cork, near the front of "The Goose's Acre." In 2005, the pub was forced to close to make way for new development.

While back in Ireland visiting relations, Colm O'Neill proposed purchasing the contents of the pub, to include both bars. Young and Colm O'Neill made the decision to bring this authentic pub to The Woodlands to share the romance and history of years past. In order to accomplish this, the Debtor was formed on January 5, 2006, and appointed Gaelic Beverages, Inc. ("Gaelic"), which was formed that same day, as its general partner. The President of Gaelic was Young.²

The Debtor was initially capitalized by the sale of limited partnership interests in the Debtor. Young holds 52% of the Debtor's limited partnership interests, Richard Colm O'Neill owns 10% of the Debtor's limited partnership interests, Jeff Stone, Jaime Medina, and Robert Burkett each own 5% of the Debtor's limited partnership interests, Linda Grundmeier owns 3% of the Debtor's limited partnership interests, Dave Fruhling, Patrick Amante, Collen Hosford, Pat Hosford, Clint Stephen, and Perry Baker, each own 2% of the Debtor's limited partnership interests, and the remaining 8% of the Debtor's partnership interests are owned 1% each by Jeff

² On December 21, 2009, Ceana, LLC ("Ceana") was formed and on December 31, 2009, the Debtor filed a certificate of amendment to its formation with the Secretary of State's office appointing Ceana as its general partner. The members of Ceana are Richard Colm O'Neill, Monica Balentine, and David Fruhling and Young is the President.

Whittsett, Jack Stibbs, William J. Cole, Dwight Arnold, Eric Grundmeier, Monica & Robert Balentine, Beth Chauvin, and the general partner Ceana.

On March 1, 2006, the Debtor executed the Twenty-One Waterway Avenue Retail Lease with Town Center Development Company, L.P. (the "Lease").³ The Debtor has executed a series of amendments to the Lease since its inception. Under one of the amendments, the Debtor leased additional space for storage.⁴

On August 18, 2006, the Debtor obtained a Small Business Administration Loan of \$1,297,000.00 to purchase its furniture, fixtures and equipment and make the leasehold improvements necessary to open. The Debtor executed a promissory note for this amount and secured the loan by executing a security agreement of even date covering the furniture, fixtures and equipment, accounts receivable, and the proceeds therefore. The loan was subsequently transferred and assigned to First Bank. The Debtor began operating and was highly successful.

B. Insiders of the Debtor.

The only insiders of the Debtor are its general partner and limited partners. Their names are listed above in section A.

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

At the time of filing, the Debtor was managed by its general partner, Ceana Young, as President of Ceana, provides the day-to-day management. Young oversees the general manager of the Debtor's restaurant operations Brandi Watkins who has been the general manager since the restaurants opening in 2006. The Debtor's alcoholic beverages are provided by Gaelic Beverages, LLC under an Alcoholic Beverages Management Agreement. Young is President of Gaelic Beverages, Inc. In mid-2015, one of the limited partners of the Debtor, Richard Colm O'Neill began serving as a consultant to the Debtor.

D. Events Leading to Chapter 11 Filing.

The events leading to the Debtor's Chapter 11 filing go back to 2008 and the Debtor's decision to guaranty a loan taken out by another entity affiliated with the Debtor by limited common ownership.

Given the success enjoyed by the Debtor, Young and some of the other limited partners of the Debtor decided that another restaurant with a different menu, feel, and ambiance could also be a success in the Woodlands Waterway complex. On August 3, 2007, Sirenuse, L.P. d/b/a

³ The current owner of the property and landlord to the Debtor is 21 Waterway Holdings, LLC (the "Landlord").

⁴ The most recent amendment to the lease was entered into on March 31, 2016. That amendment was necessary in order to extend the term of the Lease, which was scheduled to expire on December 31, 2016. That amendment also set new rental rates on an escalating basis for the non-storage interior premises and continued the base rent for the storage space at its same rate for the new term of the Lease. Finally, in the amendment the Debtor was granted two five-year renewal options on the Lease at the greater of 103% of the base rent in the last year of the term of the Lease or the prevailing market rate.

Sirenuse Euro Bistro (“Sirenuse”) was formed to do business as an Italian/Mediterranean restaurant. It appointed Sirenuse Beverages, Inc. as its general partner. On August 29, 2008, Sirenuse obtained a Section 7(a) Small Business Administration loan in this amount of \$860,000.00 to purchase its initial furniture, fixtures and equipment. The Debtor executed a promissory note in the amount of \$860,000.00 for favor of Small Business Loan Source, LLC and secured the note with a security agreement covering Sirenuse’s furniture, fixtures, and equipment and its accounts receivable and the proceeds therefore. The Sirenuse loan was further secured by a number of guaranty agreements, including the Debtor and another affiliated restaurant/pub named Brian O’Neill’s Traditional Irish Pub, L.P. (“Brian O’Neill’s”).⁵ Sirenuse leased retail space at 24 Waterway in The Woodlands’ Waterway complex. Although not on the banks of the Waterway, by 2008, the Waterway retail complex had grown and was thriving. Unfortunately, 2008 also brought an economic collapse triggered primarily by the collapse of the mortgage and banking industries. This collapse impacted consumer spending. Further, Sirenuse experienced construction delays, cost overruns, and other problems with the restaurant location. Shortly after opening, Sirenuse failed and was forced to close down its operations. On September 24, 2009, Sirenuse filed a voluntary petition under Chapter 7 of the Bankruptcy Code. Joseph M. Hill was appointed the Chapter 7 Trustee. The Trustee abandoned the assets of the estate. Sirenuse’s landlord took possession of the abandoned assets and liquidated those assets. The proceeds of the liquidation were applied to the balance of the Sirenuse loan. Sirenuse no longer exists. The remaining obligors on the Sirenuse loan were the guarantors of that loan. Of those guarantors, the only two that had any realistic ability to make substantial monthly payments on the loan were Brian O’Neill’s and the Debtor.

After Sirenuse’s liquidation and termination, Brian O’Neill’s and the Debtor each carried half of the remaining Sirenuse loan balance on their balance sheets and historically split the cost of the monthly payment on the loan. However, in 2013, Brian O’Neill’s began operating at a substantial loss because of construction in the Rice Village on Morningside Drive where it was located, which drastically reduced sales. Brian O’Neill’s ultimately ceased operations, wound down, and terminated. It no longer exists. That left the Debtor as the sole guarantor of substantial ability to pay on the Sirenuse loan. Since the Debtor guaranteed payment of the Sirenuse note, the Debtor was forced to make the monthly payments to First Bank on the Sirenuse note, regardless of the fact that Sirenuse had shut down and had no income to pay on the loan.

The monthly payment on the Debtor’s note to First Bank was \$17,321.00. The monthly payment on Sirenuse’s note to First Bank was \$9,393.33. The total of these monthly principal and interest payments was \$26,714.33. This was too much for the Debtor to afford to pay. On or about November 30, 2013, the Debtor entered into Forbearance Agreements with respect to both the Debtor loan and the Sirenuse loan. Under those Forbearance Agreements, the Debtor was required to make a monthly payment of \$7,500.00 on the Debtor note and \$3,000.00 on the Sirenuse note, through October 31, 2014, at which time the original P&I payments resumed.

⁵ Brian O’Neill’s was an Irish pub and bistro located in the heart of The Rice Village in Houston, Texas. Formed on June 18, 2001, Brian O’Neill’s was a full service bar/pub/restaurant. The initial general partner of Brian O’Neill’s was Brian O’Neill’s Beverages, Inc., but on December 31, 2009, Brian O’Neill’s appointed Eadoin, LLC as its general partner.

Upon expiration of the forbearance agreement, the Debtor began discussing a further forbearance of the loans with First Bank. The Debtor was forced to return to making monthly payments totaling \$26,714.33 to First Bank on the loans. However, by November of 2015, the Debtor became unable to make those payments as well and has struggled to make periodic, sometimes partial, payments to First Bank. The parties have been unable to reach and execute a loan modification at this date.

The current principal balance on the Debtor note is approximately \$450,000.00 and the balance on the Sirenuse note is approximately \$405,000.00. The total value of First Bank's collateral is approximately \$100,000.00. Therefore, the secured portion of First Bank's claim is only approximately \$100,000.00, and the remaining balance of approximately \$850,000.00 is unsecured. Yet, the Debtor continues to remain obligated on both notes. The Debtor's operations and net monthly income is not sufficient to support payment of the notes at the amount of principal and interest stated in the notes or at the amount provided for in the now expired forbearance agreement. The Debtor has recently fallen behind on its sales taxes due to decreased sales and the high monthly payments due to First Bank.

On May 24, 2016, the Debtor filed its voluntary petition under Chapter 11 of the Bankruptcy Code.

III.

DEBTOR'S CHAPTER 11 CASE

A. General Case History.

On May 17, 2016, the Debtor filed its voluntary petition under Chapter 11 of the Bankruptcy Code. On that date, the Debtor also filed an emergency motion for use of cash collateral, an emergency motion to assume its unexpired lease of non-residential real property for its restaurant space, an emergency motion to provide adequate assurance for payment of its utilities and the Plan and Disclosure Statement. Since this Disclosure Statement was filed along with the petition, the Debtor has no other case history to report at this time. The Debtor will, however, supplement this Disclosure Statement prior to the hearing on confirmation of the Plan with additional case history.

B. Claims Objections.

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V and Article VII of the Plan. The Debtor has received the following proofs of claim:

<u>Creditor</u>	<u>Claim Amount</u>
The Woodlands Road Utility District #1 (Secured Tax Claim on Business Personal Property)	\$ 586.06
The Woodlands Metro Center MUD (Secured Tax Claim on Business Personal Property)	\$ 283.88
Montgomery County (Secured Tax Claim on Leasehold Improvements)	\$ 3,605.62
Internal Revenue Service (Unsecured Priority Tax Claim)	\$16,527.81
Wells Fargo Bank, N.A. (Unsecured Claim)	\$38,257.77

There are no claims objections on file. The Debtor anticipates filing an objection to the proof of claim filed by the IRS, because the Debtor has paid all of its pre-petition taxes and filed all of its pre-petition tax returns and owes no post-petition taxes.

The Debtor has listed Heartland Payment Systems, Inc.'s ("Heartland") claim in its Schedule F with a dollar amount of \$113,807.00, which is the amount being claimed by Heartland in its lawsuit against the Debtor for an alleged breach of a merchant's services agreement. The Debtor has listed that claim as contingent, unliquidated, and disputed, because that debt has not yet been reduced to a judgment. The lawsuit by Heartland is pending in the Montgomery County, Texas, County Court at Law No. 2 under Cause No. 16-01-00604 and is still pending. Heartland claims that as a result of a compromise of the Debtor's credit and processing device, it was forced to pay for fraudulent credit card charges that the Debtor should have to indemnify it. The Debtor disputes ever signing a merchant services agreement containing such indemnification provisions. Thus, the Debtor disputes this claim. The Debtor had protections in place and reported the unauthorized charges immediately. The Debtor does not believe that it is liable for the charges being assessed by Heartland.

The Debtor has also listed the personal injury claim of Bertha M. Lowes in its Schedule F with \$0.00 and as contingent, unliquidated, and disputed. The claim has been alleged in a lawsuit on file in the 284th Judicial District Court of Montgomery County, Texas in a case styled Bertha M. Lowes v. Gaelic Beverages, Cause No. 15-05-05279. Although the Debtor is not currently a defendant named in the suit, the Plaintiff has sued "The Goose's Acre Bistro & Irish Pub, which is the Debtor's assumed name. Further, the Plaintiff alleges her injuries were the result of a fall in the Debtor's restaurant, the Debtor believes that the plaintiff has named the wrong party defendant and that the allegations should be brought against the Debtor.

C. Current and Historical Financial Conditions.

The Debtor's sales have always been strong, despite recent slips in sales. The Debtor's operating expenses have always controlled and reasonable. Nevertheless, the combination of the excessive loan payment to First Bank and the reduced sales because of a new competing retail center has made the Debtor unprofitable and insolvent.

In 2013, the Debtor's federal income tax return reflects gross receipts or sales of \$3,969,250.00, cost of goods of \$2,411,163.00, for a gross profit of \$1,558,087.00. After deductions and expenses, the Debtor reported a total of \$218,816.00 in ordinary income. The Debtor's unaudited financial statement for 2013 reflects a net income before interest, taxes, and amortization of approximately \$337,990.00. In 2014, the Debtor's federal income tax return reflects gross receipts or sales of \$3,906,519.00, cost of goods of \$2,437,759.00, for a gross profit of \$1,468,760.00. After deductions and expenses, the Debtor reported a total of \$365,796.00 in ordinary business income. The Debtor's unaudited financial statement for 2014 reflects a net income before interest, taxes, and amortization of \$332,347.00.

The Debtor saw a change in its financial condition in 2015. The Debtor's federal income tax return reflects gross receipts or sales of \$3,559,579.00. Although this is still a strong sales figure, it represents a decrease by \$400,000.00 from previous years. After deductions and expenses, the Debtor reported a total of \$79,841.00 in ordinary income. The Debtor's unaudited financial statement for 2015 reflects a net income before interest, taxes, and amortization of \$45,336.00. The Debtor has continued to see decreased sales. These decreases are not alarming. The Debtor believes that they are a normal reflection of the slight economic slump in the Houston area and in particular the The Woodlands caused by the low price of oil and its impact on the energy industry. Most of the companies in The Woodlands are energy companies. Many have laid off workers, and the workers still employed seem to be spending less. This always impacts the Debtor's sales. In addition, in the second half of 2015, a new retail development called "Hughes Landing" opened at Lake Woodlands. Hughes Landing has a number of restaurants similar in nature to those at the Waterway and Town center in The Woodlands. The Debtor's sales dropped at the same time as the Hughes Landing opening. The Debtor conducted a study of sales figures of other restaurants and businesses in the Waterway/Town Center area, and their sales dropped when Hughes Landing opened as well. Although the Debtor's sales have increased slightly over the past few months, they have not returned to the pre/mid-2015 levels.

The general partner has reduced the salary of its President, Brian Young, effective May 24, 2016, from \$100,000.00/year to \$80,000.00/year.

The Debtor has attached to this disclosure statement its cash flow statement for the 90 days prior to filing for relief in this case as well as a cash flow statement from the date of the filing through the date of this disclosure statement. Those are attached hereto as Exhibit D.

D. Assets of the Debtor.

The Debtor's assets are listed on Schedule B of the Debtor's Schedules. The Debtor owns no real property. The Debtor has a leasehold interest in its restaurant space located at 21 Waterway in The Woodlands, Texas. The Debtor owns furniture and fixtures listed in item 38 of

Schedule B, office fixtures listed in item 40 of Schedule B, office equipment listed in item 41 of Schedule B, and machinery, fixtures and other equipment listed in item 50 of Schedule B. That property was valued by a professional restaurant valuation expert and those values are listed in Schedule B. A copy of the appraisal that was performed is attached hereto as Exhibit C.

The Debtor owns food inventory which has not been valued or appraised and has been listed at its cost. That inventory is listed in item 22 of Schedule B and the exhibit to item 22. On the date of the Chapter 11 filing, the Debtor had approximately \$65,000.00 in its bank accounts at BBVA Compass Bank. The Debtor owns its trademark and trade name as well as its URL and website intellectual property. That intellectual property is of an unknown value. Since the Debtor is a local restaurant known primarily only in The Woodlands, the value of this intellectual property is speculative at best and probably low.

The Debtor has not commissioned or obtained any appraisal of its assets as a “going concern” and has not obtained any report on the value of the business as a “going concern.”

E. Executory Contracts and Unexpired Leases.

(a) On the petition date, the Debtor filed an emergency motion to assume the unexpired lease of real property with 21 Waterway Holdings, LLC. That emergency motion was granted and the Debtor has assumed the lease with 21 Waterway Holdings, LLC. The lease is of 7,386 rentable square feet on the interior of the space and 1,485 rentable square feet outside on the patio in the building located at 21 Waterway Avenue in The Woodlands. The initial term of the lease ran from March 1, 2006 through December 31, 2016. The rent was on an escalating basis, with the base rental going as high as \$22,158.00 per month during months 97 through 120. In the third amendment to the lease dated November 16, 2007, and the fourth amendment dated August 1, 2008, the Debtor added storage space, bringing the total amount of rentable square feet of the interior to 7,916 square feet. In the sixth amendment to the lease dated March 31, 2016, the Debtor extended the term of the lease to run through December 31, 2026. That lease amendment also set new rental rates, escalating from \$23,696.75 from 1/1/17 to 12/31/18, to \$24,410.73 from 1/1/19 to 12/31/20, to \$25,137.02 from 1/1/21 to 12/31/22, to \$25,894.09 from 1/1/23 to 12/31/24, and ending at \$26,669.62 from 1/1/25 to 12/31/26. Finally, the Debtor has two renewal options under the lease as now amended.

(b) The Debtor seeks to assume, as a part of its Plan, all of its executory contracts with those contracting parties listed in Schedule G of the Debtor’s Schedules.

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 First Bank, a class for unsecured priority claims, a class for the general unsecured claims, a class for general *de minimus* 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 Weinstein | Spira, accountants to the Debtor. Those administrative expense claims will be paid in cash, in full 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 First Bank on the promissory note dated August 18, 2006, in the original principal amount of \$1,297,000.00. The aggregate amount of First Bank's claim is in the approximate amount of \$450,000.00. This class consists of the secured portion of First Bank's claim under that promissory note, to be determined at the confirmation hearing, upon valuation of First Bank's collateral.

Class 2. This class consists of all allowed, unsecured priority claims. The Debtor anticipates having Allowed Claims for taxes by governmental entities. Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. This class should consist of certain allowed tax claims of the Debtor, specifically claims of the Texas Comptroller and the State of Texas for sales taxes and franchise taxes.

Class 3. This class consists of all allowed, general unsecured claims. The Debtor anticipates that this class will consist of the unsecured, deficiency claim of First Bank on the Debtor's August 18, 2006 promissory note, the unsecured claim of First Bank on the Debtor's

guaranty of the Sirenuse promissory note, the unsecured claim of Wells Fargo Bank on an unsecured line of credit, trade creditors of the Debtor, Heartland Payment Systems, Inc. on its litigation claim (described below), and the personal injury claimant who has filed suit against the Debtor's alcoholic beverage management company.

Class 4. This class consists of all allowed, *de minimus* unsecured claims. This class shall consist of all trade creditors whose claims are in an allowed amount of \$500.00 or less.

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: First Bank's allowed Class 1 Claim shall be paid in cash, in full, in equal monthly installments over a period of one hundred and twenty (120) months, with interest at 4.0% per annum, with the first payment due on the Distribution Date.

Class 2 Claims: Holders of allowed, unsecured priority claims shall receive equal monthly payments, plus twelve (12%) percent interest per annum, in cash for a period of five (5) years from the Petition Date, with the first payment due on the Distribution Date.

Class 3 Claims: Holders of Allowed Class 3 Claims shall be paid twenty (20%) percent of the Allowed Amount of each Holder's Class 3 Claim in equal monthly installments over a period of seventy-two (72) months, with the first payment due on the Distribution Date.

Class 4 Claims: Holders of Allowed Class 4 Claims shall be paid twenty (20%) of the Allowed Amount of each Holder's Class 4 Claim in cash, in full on the Distribution Date.

Class 5 Claims: Holders of Allowed Class 5 Interests shall surrender their limited partnership interests to the Debtor.

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.

In order to raise additional operating capital, the Newly Reorganized Debtor will issue new limited partnership interests totaling 100% in the Newly Reorganized Debtor under the terms of the Partnership Agreement of Celtic Concepts, Ltd., a copy of which is attached hereto as Exhibit F. A 1% limited partnership interest will be issued to Ceana, LLC, the general partner, so that the Newly Reorganized Debtor has a general partner that is in compliance with the Partnership Agreement and Texas partnership laws. The remaining 99% limited partnership interests will be sold at an auction in the courtroom immediately following the confirmation hearing. Anyone wishing to participate in the auction must send a written notice of their intent to participate at least two (2) weeks prior to the confirmation hearing to:

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

Those persons who timely provide notice of their intent to participate at the auction must then submit a written bid detailing the percentage of limited partnership interest they wish to purchase and the price they wish to pay and terms of payment on or before one (1) week prior to the confirmation hearing. Matthew Probus of Wauson | Probus, counsel for the Debtor and the Newly Reorganized Debtor, will preside over the auction. The auction will begin with Mr. Probus reading in open court all timely submitted written bids received prior to auction. Anyone wishing to bid on a limited partnership interest in excess of an amount bid by an existing bidder may do so. Additional bids will only be accepted in increments of \$100 per percentage of partnership interest. Bidding will continue until no additional bids are received. In the event that bids received are for less than the full 99% of the limited partnership interests being sold, the percentage ownership of each limited partner will be recalculated pro rata to account for 99% of the limited partnership interests. The funds received for the purchase of these limited partnership interests shall be deposited into the Debtor's operating account and used for operating capital.

All limited partnership interests in the Newly Reorganized Debtor shall be governed by the terms of the Partnership Agreement.

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 dated that is on the fifth (5th) day of the month following thirty days after the Effective Date. (the “Distribution 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 and all Entities who have held, hold, or may hold Interests against the Debtor, Ceana, LLC, or Gaelic Beverages, Inc. are permanently enjoined on and after the Effective Date 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, Ceana, LLC, or Gaelic Beverages, Inc.; (b) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against the Debtor, Ceana, LLC, or Gaelic Beverages, Inc. with respect to any such Claim; (c) creating, perfecting, or enforcing any encumbrance of any kind against the Debtor, Ceana, LLC, or Gaelic Beverages, Inc. or against property of the Debtor, Ceana, LLC, or Gaelic Beverages, Inc. 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, Ceana, LLC, or Gaelic Beverages, Inc. with respect to any such Claim; (e) conducting any form of discovery from the Debtor, Ceana, LLC, or Gaelic Beverages, Inc. with respect to any such Claim; and/or (f) harassing the Debtor, Ceana, LLC, or Gaelic Beverages, Inc.. 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 and/or Trustee of the Liquidating Trust 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. Withholding and Reporting.

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 no later than 12:00 p.m. (Houston Time) on _____, 2016, 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 12:00 P.M. (HOUSTON TIME) ON _____, 2016.

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 1/2 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 confirmation of the Plan at the Hearing scheduled for _____, 2016, at _____ o'clock __.m. (Houston Time) in Courtroom ____, 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 except 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 12:00 p.m. (Houston Time) on _____, 2016.

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 appointment 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 nonbankruptcy 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 E hereto is a projected cash flow statement showing the cash flow that is projected for the Newly Reorganized Debtor for the years 2016 – 2020.

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 Debtor has operated successfully for ten (10) years on the Waterway in The Woodlands. The Debtor has a new lease agreement with set rental terms for a ten (10) year term with two, five year renewal options. The Debtor's projected financial statements show that the Debtor's Plan is feasible. The unsecured creditors are receiving at least as much under this Plan as they would receive in a case under Chapter 7 of the Bankruptcy Code. The liquidation analysis attached hereto as Exhibit B shows that the Debtor's unsecured creditors would receive nothing under a Chapter 7 liquidation. The Plan proposes to pay 100% of the Allowed Amount of First Bank's Class 1 secured claim and 20% of the Allowed Amount of Class 2 and 3 unsecured claims..

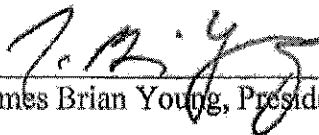
VIII.

CONCLUSION

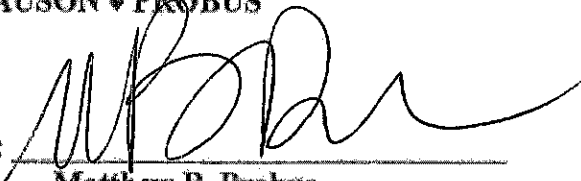
All holders of claims against the Debtor are urged to vote to accept the plan and to evidence such acceptance by returning their ballots so that they will be received by the deadline for voting which is _____, 2016 at 12:00 p.m. (Houston Time).

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CELTIC CONCEPTS, LTD.

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