

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

IN RE: :
: **CHAPTER 11**
:
World Imports, Ltd. : **BANKRUPTCY Nos. 13-15929(SR)**
: **BANKRUPTCY Nos. 13-15933(SR)**
Debtor. : **and BANKRUPTCY Nos. 13-15935(SR)**
: **(Jointly Administered)**
:

**JOINT DISCLOSURE STATEMENT ACCOMPANYING JOINT PLAN OF
LIQUIDATION PROPOSED BY THE DEBTORS AND THE OFFICIAL COMMITTEE
OF UNSECURED CREDITORS OF THE ESTATE OF WORLD IMPORTS, LTD.**

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Dated: June 2, 2017

I. INTRODUCTION

On, July 3, 2013, the Debtors filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Pennsylvania. The case was assigned to the Honorable Stephen Raslavich, United States Bankruptcy Judge. On July 8, 2013, the Bankruptcy Court entered an order authorizing the joint administration of Debtors' cases. An Official Committee of Unsecured Creditors was appointed by the Office of the United States Trustee (the "Committee"), which Committee has been monitoring the Debtor's actions post-petition. As detailed herein, the Debtor and the Committee, as Plan Proponents, aver that the Plan explained in this Disclosure Statement is the best mechanism by which payments could be made to creditors in this case.

On June 2, 2017 the Debtors and Committee filed a Joint Plan of Liquidation (the "Plan"). A true and correct copy of the Plan is attached hereto as Exhibit "A". Pursuant to Section 1125, the Debtor and Committee have prepared and filed this Disclosure Statement (the "Disclosure Statement") for Bankruptcy Court approval before circulation to creditors and parties-in-interest in connection with the solicitation of acceptances of the Plan. All capitalized terms not otherwise defined in this Disclosure Statement refer to terms defined in the Plan.

A. Purpose of Disclosure Statement.

The purpose of this Disclosure Statement is to provide creditors and holders of interests with such information as would enable a hypothetical, reasonable individual or entity typical of the holders of claims or interests to make informed judgments in voting on the Plan. This Disclosure Statement does not purport to be a complete description of the Plan, the financial status of Debtor, the applicable provisions of the Bankruptcy Code or of other matters that may be deemed significant by creditors or other parties-in-interest. This Disclosure Statement

necessarily involves a series of compromises between extensive “raw data” and the legal language in documents or statutes on the one hand and considerations of readability and usefulness on the other. For the most part, the financial information contained herein was gathered from the Debtors’ Bankruptcy Court filings, the Debtors’ Schedules and Statements of Financial Affairs, and the Debtors’ Plan. For further information, you should examine the Plan directly and you may want to consult your legal and financial advisors.

You are urged to carefully read the contents of this Disclosure Statement before making your decision to accept or reject the Plan. Particular attention should be directed to the provisions of the Plan affecting or impairing your rights as they existed before the institution of this case.

NO REPRESENTATIONS CONCERNING DEBTORS’ OPERATIONS, PARTICULARLY AS TO THE VALUE OF ANY OF ITS PROPERTY ARE AUTHORIZED BY THE DEBTORS EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT. IN DECIDING WHETHER TO ACCEPT THIS PLAN, YOU SHOULD NOT RELY UPON ANY REPRESENTATIONS OR INDUCEMENTS OTHER THAN THOSE IN THIS DISCLOSURE STATEMENT.

THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO AN AUDIT AND THE DEBTORS HAVE NOT MADE AN INDEPENDENT INVESTIGATION OF SUCH INFORMATION. ALL OF THE FINANCIAL RECORDS HAVE BEEN PREPARED BY DEBTORS AND THE INFORMATION CONTAINED HEREIN IS DEPENDENT UPON ACCOUNTING PERFORMED BY THE DEBTORS. FOR THE FOREGOING REASONS, AS WELL AS A COMPLEX HISTORY OF DEBTORS’ BUSINESS AND FINANCIAL AFFAIRS, THE DEBTORS ARE UNABLE TO WARRANT

OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY, ALTHOUGH EVERY EFFORT HAS BEEN MADE TO BE ACCURATE.

B. Acceptance and Confirmation.

The Bankruptcy Court has fixed _____, 2017 as the date by which holders of Claims against, and holders of Interests in, the Debtors must vote to accept or reject the Plan. Creditors whose claims are impaired by the Plan may vote by filling out the enclosed ballot and sending it in the envelope provided for that purpose to:

John E. Kaskey, Esquire
Braverman Kaskey PC
1650 Market Street, 56th Floor
Philadelphia, PA 19103

In order to be counted, all ballots must be sent so as to be received on or before 5:00 p.m. on _____, 2017.

THE VOTE OF EACH CREDITOR IS IMPORTANT. Creditors whose claims are not impaired by the Plan may not vote as they are conclusively presumed to have accepted the Plan. In order for the Plan to be accepted by any class of creditors, it must be accepted by creditors who hold at least two-thirds in dollar amount of the claims in such class as to which votes are cast, and who comprise more than one-half of the voting creditors holding claims in such class. **THESE CALCULATIONS ARE BASED ONLY ON THE CLAIMS AMOUNTS AND NUMBERS OF CREDITORS WHO ACTUALLY VOTE.** An abstention by a creditor will not count towards acceptance or rejection of the Plan.

C. Notice of Confirmation Hearing.

On _____, 2017 at __:00 __.m., a hearing will be held before Honorable Stephen Raslavich, the United States Bankruptcy Court, 900 Market Street, Courtroom No. 4, Philadelphia, PA 19107, to consider the Debtors' request for confirmation of the Plan (the "Confirmation Hearing"). The Confirmation Hearing may be continued from time to time with notice only to those who have filed timely objections or answers. The Confirmation Hearing may also be continued from time to time, without further notice, by announcement in open court on the day of the scheduled hearing or any continuance thereof.

Any creditor or party-in-interest who wishes to object to confirmation of the Plan must file a written objection with the Clerk, United States Bankruptcy Court, 900 Market Street, Philadelphia, PA 19107, and serve copies on the attorneys for the Debtors whose name and address appears on the front page of this Disclosure Statement. The objections must be filed with the United States Bankruptcy Court and received by counsel for the Debtors on or before _____, 2017.

II. THE DEBTORS

World Imports Ltd. ("WIL") was founded in 1986 by Stan and Sandra Luber. The company initially operated out of a public warehouse, and later purchased and moved into its own facility at 3506 "F" Street in the Kensington section of Philadelphia. As its sales continued to increase, WIL outgrew that location, and eventually moved all Philadelphia operations into the present facility at 11000 Roosevelt Boulevard.

In 2009 the Lubers formed World Imports South, LLC ("South"). South opened a warehouse facility in Walls MS, and has been steadily profitable since its inception.

In 2011 the Lubers formed World Imports Chicago, LLC ("Chicago"). Chicago opened a warehouse facility in Chicago, IL in an effort to become a nationally recognized furniture import company, servicing retail furniture stores of all types. In the same year WIL also acquired the assets of Hamilton and Spill, a direct container company servicing the US and Canada. The acquisition was done to acquire key customers and use of a mixed container warehouse in Vietnam.

WIL, South and Chicago operated utilizing 2 distinct methods of selling products to their customers: (a) warehouse business that ships from WIL's, South's and Chicago's warehouse locations, and is either picked up or delivered to a customer's retail store location; and (b) direct container business that is sold and ships directly from the factory to a customers' retail store locations in full container loads. The direct container business does not require inventory, and is handled through WIL's Philadelphia office. Shipments are monitored from overseas staff/QC/agents and follow up is done between the customer, WIL and the independent sales representative that covers the account.

WIL exhibited new and existing products to its customers out of two national exhibition shows. One in High Point, NC that focuses primarily on the direct container business model and the second is in Tupelo, MS which focuses primarily on the Mississippi distribution center sales.

As of the Petition Date, WIL, Chicago and South were joint borrowers under a line of credit facility with PNC Bank (the "PNC Loan") As of June 30, 2013, the outstanding balance under the PNC Loan was approximately \$11,174,487.

The Debtors' current financial situation is due to a combination of significant events which started commenced in early 2011. The first was WIL's acquisition of the assets of Hamilton and Spill Company. The inventory held in the rented Vietnam warehouse did not

continue to sell profitably, and the expense of the facility outweighed profits. Ultimately WIL shut down the Vietnam operation in 2012 at a significant loss.

At the end of 2011, the company implemented a new software system to help improve operations, and prepare WIL for growth from increased direct container business, and expansion into Chicago distribution center. The software implementation was not successful and adversely affected WIL's ability to service customers. The software system also caused product over-ordering for more than a years' time, which resulted in WIL having excessive inventory which it was forced us to sell at deeply discounted prices.

WIL was also forced to pay an anti-dumping tariff at the end of 2011 of nearly \$700,000 which severely impacted the cash flow of the Debtors.

The Chicago distribution center opened at the end of 2011 has not met sales projections and has operated at a loss.

In 2012, the WIL wrote off extensive credit losses on customer receivables. In 2012 Debtors also uncovered an inventory theft ring involving multiple employees.

At the end of 2012 the Debtors implemented a program to dramatically reduce their operating expenses.

The first calendar quarter of each year is historically the best quarter for the furniture industry and WIL, Chicago and South. Unfortunately, due to delayed federal tax refunds, and other economic factors, the industry was extremely sluggish during the first quarter of 2013, and like most furniture companies, the Debtors' sales did not meet projections, causing further financial strain on the Debtors.

On July 18, 2013, Debtors filed an adversary complaint against OEC Group New York, styled World Imports, LTD. et al. v. OEC Group New York, CA 13-5085, seeking the turnover

of goods OEC sought to retain until its delinquent shipping fees were fully paid.

OEC is a freight forwarder/logistics provider that historically has rendered transportation services to one of the Debtors, which are in the business of purchasing furniture wholesale.

At the time Debtors filed their voluntary petitions, OEC was in possession of multiple landed shipments of merchandise intended for delivery to Debtors with a value of approximately of \$450,000 (the "Landed Goods"). In addition, as of the filing of Motion that is the subject of this appeal (as more fully discussed *infra*) multiple shipments of merchandise from OEC were in transit for delivery to Debtors, valued at approximately \$1,400,000 (the "Goods in Transit"; Landed Goods and Goods in Transit are hereinafter collectively referred to as the "Current Goods"). Freight charges of approximately \$120,000 were due on the Landed Goods. Debtors had offered to pay OEC the freight charges on the Landed Goods, but OEC refused to release the Landed Goods unless and until it was paid not only for freight charges on the Landed Goods, but also \$994,705 for prepetition freight charge claims (the "Prepetition Claim") on goods which OEC previously had delivered/released to the Debtors prior to the Petition Date.

On July 12, 2013, pursuant to 11 U.S.C. § 362, OEC filed a motion for relief from the automatic stay, arguing that it was a secured creditor with a possessory "maritime" lien on Debtors' goods and that, as a secured creditor, it was entitled to refuse to release goods held in its possession unless and until its prepetition claims were satisfied.

On July 18, 2013, Debtors filed an Adversary Complaint and a Motion for Turnover, Injunctive Relief, and Damages (the "Motion") asserting that OEC did not have a maritime lien or common carrier lien on the Current Goods for the Prepetition Claim. Alternatively, Debtors argued that, even if OEC had a lien securing the Prepetition Claim (which was expressly denied),

such lien was not a maritime lien and could be avoided or otherwise was primed by the lien of the Debtors' lender, PNC Bank.

On July 25, 2013, the Bankruptcy Court granted Debtors' Motion and ordered OEC to turn over the Current Goods to Debtors upon Debtors' payment of approximately \$120,000 of freight charges due on the Landed Goods. The Bankruptcy Court further held that OEC did not possess a maritime lien on the Current Goods for the Prepetition Claim since maritime liens may not be created by agreement but, rather, only by operation of law. Further, the Bankruptcy Court held that, even if OEC had a valid non-maritime general lien, such lien would be void under Bankruptcy Code §§ 544, 547 and 548 and is otherwise primed by Debtors' primary fully perfected secured lender, PNC Bank. (The July 25, 2013 Order of the Bankruptcy Court shall be referred to as the "Bankruptcy Decision").

In compliance with the Bankruptcy Decision, Debtors remitted payment to OEC for the regular freight charges on the Current Goods as well as documented demurrage/retention charges and OEC released the Current Goods to the Debtors. OEC then appealed the Bankruptcy Decision to the United States District Court for the Eastern District of Pennsylvania (the "District Court") on the same grounds as it raised below. OEC requested that the District Court reverse the Bankruptcy Decision and enter an order providing that the Debtors immediately pay OEC the Prepetition Claim; alternatively, OEC sought the entry of an order providing it with a replacement lien on assets of Debtors having a value of \$1,926,363

On January 22, 2015, the Hon. Petrese B. Tucker of the District Court entered an Order and filed a Memorandum Opinion affirming the Bankruptcy Decision. OEC then appealed the Bankruptcy Decision to the United States Court of Appeals for the Third Circuit (the "Third Circuit") on the same grounds as it raised below.

On April 20, 2016, the Third Circuit reversed the Order of the District Court to the District Court for further proceedings.

On August 18, 2016, the Debtors filed a Petition for a Writ of Certiorari (the “Certiorari Petition”) with The Supreme Court of the United States (the “Supreme Court”). On October 17, 2016, the Supreme Court denied the Certiorari Petition.

In order to avoid further litigation and to minimize the costs and expenses in connection with OEC’s claims against the Debtors and the Debtors claims against OEC, and in an effort to maximize the recovery in the Debtors' Bankruptcy Cases, the Debtors entered into a Court approved settlement with OEC, pursuant to which WIL paid OEC One Hundred Seventy Five Thousand Dollars (\$175,000), and all of the Debtors' remaining assets, including, but not limited to cash and litigation proceeds, net of Debtors' costs of collection, including reasonable attorney's fees, shall be divided between the Debtors and OEC as follows: (a) the first Two Hundred Fifty Thousand Dollars (\$250,000.00) shall be retained by the Debtor; (b) the next Twenty Five Thousand Dollars (\$25,000.00) shall be paid to OEC; and (c) all remaining assets shall be divided/paid equally between the Debtor and OEC.

Subsequent to the filing of their cases, the Debtors’ management concluded that the Debtors would not be able to reorganize and that it would be in the best interests of the Debtors’ creditors to liquidate the Debtors’ remaining assets. During the initial phase of these cases, the Debtors’ management was able to sell the Debtors’ inventory in the ordinary course of business at substantially the same prices that the Debtors received prior to their bankruptcy filings. As a result of the Debtors’ orderly liquidation of their inventory, the Debtors were able to fully pay off PNC’s secured claim.

III. THE DEBTOR'S PROPERTY

The Debtor's sole remaining assets are cash causes of action subtenant, causes of action against a credit insurance company and judgments arising under claims brought by the Debtor and Creditors Committee under Sections 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 553 of the Bankruptcy Code.

Market Street AC I, LLC currently possesses a \$10,000.00 allowed and unpaid administrative claim against WIL. Haining Wansheng Sofa Co., Ltd. filed a \$32,110.00 503(b)(9) claim against the Debtor. The Debtor objected to the claim and the Bankruptcy Court and District Court both sustained the Debtor's objection. Haining Wansheng Sofa Co. currently has an appeal of the District Court's Order pending with the Third Circuit. Haining Oyi May Sofa Co., Ltd. filed a \$29,472.00 503(b)(9) claim against the Debtor. The Debtor objected to the claim and the Bankruptcy Court and District Court both sustained the Debtor's objection. Haining Oyi May Sofa Co., Ltd. currently has an appeal the District Court's Order pending with the Third Circuit. The U.S. Customs and Boarder Protection has filed a \$1,020,916.49 dumping duty priority claim against WIL.

Anticipated administrative fees through confirmation of the Debtor's Plan are estimated to be \$290,000, broken down as follows: (1) \$235,000 for the Debtor's counsel (against which counsel has a \$143,654 retainer); (2) \$45,000 for the Creditor's Committee's counsel; and (3) \$10,000 for the Debtor's accountants to prepare the Debtor's final tax returns.

IV. SUMMARY OF THE PLAN

THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN. HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO READ THE PLAN IN FULL AND URGED TO CONSULT WITH COUNSEL AND EACH OTHER IN ORDER TO UNDERSTAND THE

PLAN FULLY. THE PLAN REPRESENTS A PROPOSED LEGALLY-BIDING AGREEMENT. AN INTELLIGENT JUDGMENT CONCERNING THE PLAN CANNOT BE MADE WITHOUT FULLY UNDERSTANDING IT.

A. Classification and Treatment of Claims and Interests.

The Claims against, and Interests in, Debtor are divided into two (2) classes of Claims under the Plan. The following is a designation of classes of Claims. Administrative Claims and Priority Tax Claims of the kinds specified in sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code, respectively, have not been classified and are excluded from the following classes, in accordance with section 1123(a)(1) of the Bankruptcy Code. A Claim is classified in a particular class only to the extent that the Claim qualifies within the description of the class and is classified in a different class to the extent that any portion of the Claim qualifies within the description of such different class.

Class 1 Claims: Class 1 consists of the Allowed Claim of OEC. The Class 1 Claims are impaired under the Plan. The Class 1 Claims will be paid in accordance settlement agreement between the Debtor and OEC, which, after notice and hearing, was approved by the Court on December 22, 2016.

Class 2 Claims: Priority Non-Tax Claims of ex-employees of the Debtor under Section 507(a)(4) of the Bankruptcy Code. All prepetition wages were paid in full pursuant to the Court's Order entered July 9, 2013 granting the Debtor's Motion for Authority to Pay Certain Pre-Petition Wages, Salaries and Other Compensation [Docket No. 25]. The Class 2 Claims are not impaired under the Plan. Allowed Priority Non-Tax Claims will be paid in full on the Effective Date or as soon thereafter as is practicable, unless such Class 2 Claim has been

objected to, in which case the Class 2 Claim which has been objected to will be paid within twenty (20) days of the Court enters a Final Order on such objection.

Class 3 Claims: Priority Tax Claims of governmental units under Section 507(a)(8) of the Bankruptcy Code. The Class 3 Claims are impaired under the Plan. Allowed Priority Tax Claims will be paid up to 100% of the Allowed Claim after payments to Administrative Claimants, Class 1 Claims and Class 2 Claims. Each holder of a Class 3 Claim shall receive cash payments on or after the Effective Date or upon the Class 3 Claim becoming an Allowed Claim by Final Order of the Bankruptcy Court whichever is later, from the balance of the Debtor's assets after payment of the Administrative Claims, Class 1 Claims and Class 2 Claims. In the event that the Debtor's assets are insufficient to pay all Class 3 Claims, the Debtor's remaining assets will be shared Pro Rata among the Class 3 Claimants for all allowed Class 3 Claims.

Class 4 Claims: Class 4 Claims consists of all Allowed Unsecured Claims not otherwise classified herein, as well as any Deficiency Claim or Rejection Claim. Class 4 Claims are impaired under the Plan. The treatment and consideration to be received by holders of Class 4 Allowed Claims shall be in full settlement, satisfaction, release and discharge of their respective Claims. Class 4 Creditors shall receive up to 100% of the Allowed Claim after payments to Administrative Claimants, Class 1 Claims, Class 2 Claims and Class 3 Claims. Each holder of a Class 4 Claim shall receive cash payments on or after the Effective Date or upon the Class 4 Claim becoming an Allowed Claim by Final Order of the Bankruptcy Court whichever is later, from the balance of the Debtor's assets after payment of the Administrative Claims, Class 1 Claims, Class 2 Claims and Class 3 Claims. In the event that the Debtor's assets are insufficient to pay all Class 4 Claims, the Debtor's remaining assets will be shared Pro Rata among the Class 4 Claimants for all allowed Class 4 Claims.

Class 5 Claims: Class 5 consists of the Allowed Interests of the shareholders of the Debtors. The Class 5 Interests shall be cancelled on the Effective Date. Class 5 Interests are impaired under the Plan, and are presumed to reject the Plan. No Distributions shall be made on account of Class 5 Interests and no holder of any Class 5 Interests shall receive any payment or retain any property on account of their Class 5 Interests, unless the Debtors has assets in excess of the amount of all Class 1 Allowed Claims, Class 2 Allowed Claims, Class 3 Allowed Claims and Class 4 Allowed Claims. Any assets in excess of the Class 1 Allowed Claims, Class 2 Allowed Claims, Class 3 Allowed Claims and Class 4 Allowed Claims shall be distributed to holders the Allowed Interests of the Debtors' shareholders.

B. Treatment of Certain Unclassified Claims.

1. Administrative Claims.

All Administrative Claims shall be treated as follows:

a. Time for Filing Administrative Claims. The holder of an Administrative Claim, other than a Professional Claim, must file with the Bankruptcy Court and serve on the Debtor, the Committee and their respective counsel, a Motion for allowance of the Administrative Claim within thirty (30) days after the Confirmation Date. Failure to file such a motion timely and properly shall result in the Administrative Claim being forever barred and discharged.

b. Time for Filing Fee Claims. Each Professional Person who holds or asserts an Administrative Claim that is a Professional Claim incurred before the Confirmation Date shall be required to file a fee application with the Bankruptcy Court. For fees incurred after the Confirmation Date, the Debtor may pay Professional Persons without a Bankruptcy Court order. In order to do so the Professional Person shall forward a copy of any request for fees to counsel to the Committee, counsel to the Debtor and the United States Trustee, with a request for

payment. No payment shall be made if the Debtor, Committee or United States Trustee objects to the fee request. The Bankruptcy Court shall retain jurisdiction to entertain any dispute relating to a post-confirmation fee dispute.

c. Allowance of Administrative Claims. An Administrative Claim (other than an application for a Professional Claim) with respect to which a motion has been timely and properly filed pursuant to Section 3.1(a) of the Plan shall become an Allowed Administrative Claim, but only if Allowed by the Bankruptcy Court by Final Order of the Bankruptcy Court. An Administrative Claim that is a Professional Claim relating to pre-confirmation services provided, and with respect to its fee application has been properly filed pursuant to Section 3.1(b) of the Plan, shall become an Allowed Administrative Claim only to the extent allowed by Final Order of the Bankruptcy Court. After the Confirmation Date, the Debtor's professionals and the Committee's professionals, to the extent fees are permitted to be recovered under the Plan, shall send bills to counsel to the Committee, counsel for the Debtor and the United States Trustee and if no objection is lodged within ten (10) days, they shall be paid by the Debtor without further order of the Bankruptcy Court. If there is an objection, a Fee Application shall be filed with the Bankruptcy Court. Allowed Fee Claims shall retain the same priority status as existed prior to the confirmation of the Plan, after confirmation of the Plan, vis a vis, all other subordinate priority and general unsecured claims. After the Bankruptcy Case is closed, Professional Fees shall be paid in the discretion of the Debtor after consultation with the Committee.

d. Payment of Allowed Administrative Claim. Each holder of an Allowed Administrative Claim shall receive (i) the amount of such holder's Allowed Claim on the Effective Date, or upon the Administrative Claim becoming an Allowed Administrative Claim,

whichever is later, or (ii) such other treatment as may be agreed upon in writing by the Committee, the Debtor and such holder as long as no payment is made thereon prior to the Effective Date. As described above two creditors have filed Administrative Claims under Section 503(b)(9) of the Bankruptcy Code, which claims are currently pending before the Third Circuit.

C. Means for Execution of the Plan.

1. Funds. Payments under the Plan will be made from cash on hand, the proceeds of collections on judgments the Debtor has already obtained and from the net proceeds lawsuits the Debtor intends to institute.

2. Prosecution of Claims. The Debtor shall pursue its causes of action for the benefit of the bankruptcy estate. After consultation with the Committee, the Debtor shall have sole authority to compromise all causes of action.

3. Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the issue of substantive consolidation. Accordingly, this Plan shall serve as, and shall be deemed to be, a motion for entry of an order substantively consolidating the estates of the three Debtors. The Debtors believe that such a settlement and compromise is justified by administrative, substantive and equitable reasons. On the Effective Date: (i) the Estates of World Imports Chicago, LLC and World Imports South, LLC shall be merged with and into WIL; (ii) all intercompany claims by, between and among the Debtors being forgiven and eliminated; (iii) all assets and liabilities of World Imports Chicago, LLC and World Imports South, LLC shall be merged or treated as if they were merged with the assets and liabilities of WIL; (iv) any obligation of any of the Debtors

shall be deemed to be one obligation of WIL; and (v) each Claim filed or to be filed against any of the Debtors shall be deemed filed only against WIL and shall be deemed a single Claim against and a single obligation of WIL.

D. Summary of Other Provisions of the Plan.

1. Final Decree. After the Effective Date, the Debtor and the Committee shall file a joint Motion to close the case and request that a final decree be issued.

2. Retention of Jurisdiction. The Bankruptcy Court shall retain jurisdiction of the case after the Confirmation Date for the following purposes:

(a) to determine any and all objections in the allowance of claims and amendments to schedules;

(b) to classify the Claim of any Creditor and to re-examine Claims which have been allowed for purposes of voting, to determine such objections as may be filed to Claims;

(c) to determine any and all disputes arising under or in connection with the Plan, including, but not limited to, any default remedies granted herein, and the sale of any of the Debtor's assets, collection or recovery of any assets;

(d) to determine any and all applications for allowance of compensation and reimbursement of expenses herein for fees incurred through the Confirmation Date;

(e) to determine any and all pending applications for rejections of executory contracts and unexpired leases and the allowance of any claims resulting from the rejection thereof or from the rejection of executory contracts or unexpired leases pursuant to the Plan;

(f) to determine any and all applications, adversary proceedings and contested and litigated matters pending in the case as of, or after, the Confirmation Date;

(g) to determine any and all proceedings for recovery of payments pursuant to any Cause of Action;

(h) to modify any provision of the Plan to the full extent permitted by the Bankruptcy Code;

(i) to correct any defect, cure any omission or reconcile any inconsistency in the Plan or the Confirmation Order as may be necessary to carry out the purposes, intent and effect of the Plan;

(j) to determine such other matters which may be provided for in the Confirmation Order as may be authorized under the provisions of the Bankruptcy Code;

(k) to enter any order, including injunctions, necessary to enforce the terms of the Plan, the powers of the Debtor and the Committee under the Bankruptcy Code, this Plan and as the Court may deem necessary.

4. **Objections to Claims.** Any party in interest may object to allowance of Claims filed with the Court and all objections to the allowance of Claims shall be litigated to Final Order or compromised and settled, subject to approval of the Bankruptcy Court after notice and a hearing. Failure to object to any Claim for purposes of voting on the Plan shall not be deemed a waiver of the right to object to such Claim at any later date. An objection to the Claim of any claimant shall not in and of itself preclude that claimant from voting its claim in support or opposition of the Plan.

5. **Discharge of Debtor.** No discharge shall be granted to Debtor in this liquidation case.

6. **Modifications.** The Plan may be altered, amended, or modified by the Proponent before or after the Confirmation Date, as provided in Section 1127 of the Bankruptcy Code.

7. Confirmation Request. The Debtor and the Committee request confirmation under Section 1129(6) of the Code with respect to any Impaired Class that does not accept the Plan pursuant to Section 1126 of the Bankruptcy Code.

11. Conditions to Consummation. The following conditions must be met prior to the Plan being Effective:

- (a) The Plan shall have been confirmed by the Bankruptcy Court;
- (b) The Confirmation Order has become a Final Order in form and substance acceptable to the Debtor and the Committee; and
- (c) No request for revocation of the Confirmation Order under Section 1144 of the Bankruptcy Code shall have been made, or, if made, shall remain pending.

V. FINANCIAL INFORMATION

The Debtor currently estimates that after payment of allowed administrative fees and expenses and priority claims that it should have several hundred thousand dollars available for distribution to unsecured creditors.

VI. ACCEPTANCE AND CONFIRMATION

A. Acceptance.

In order for the Plan to be accepted by any class, it must be accepted by creditors who hold at least two thirds in dollar amount of the claims in such class as to which votes are cast, and who comprise more than one half of the voting creditors holding claims in such class. Creditors whose Claims are not impaired by the Plan may not vote, as they are conclusively presumed, pursuant to the Bankruptcy Code, to have accepted the Plan.

If any impaired class does not accept the Plan, the Debtor may nevertheless seek confirmation of the Plan. To obtain such confirmation, it must be demonstrated to the

Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each dissenting class.

B. Feasibility.

As a condition to confirmation of the Plan, section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the Plan is not likely to be followed by the liquidation of Debtor, unless, as is the case with the Debtor's Plan, such liquidation is proposed in the Plan.

C. "Best Interests" Test.

Notwithstanding acceptance of the Plan by holders of Claims, Section 1129 of the Bankruptcy Code provides the Bankruptcy Court must independently determine the Plan is in the "best interests" of each Impaired Class of Claims and Equity Interests, unless each member of that Class votes to accept the Plan. For the Plan to satisfy the "best interests" test, the Bankruptcy Court must find the Plan provides each member of such Impaired Class of Claims or Equity Interests a recovery which has a present value of at least equal to the present value of the distribution which each such claimant would have received if the Debtor's assets were liquidated under chapter 7 of the Bankruptcy Code.

The Debtor and the Committee believe the Plan provides greater recovery to the members of each Impaired Class of Claims than such claimants would receive in a liquidation under chapter 7 of the Bankruptcy Code. The method and funding of distributions to holders of Allowed Claims far outweighs the amounts that would be available for distribution upon liquidation of the Debtor's remaining assets. Holders of Claims would not realize the same value in a chapter 7 liquidation. Therefore, the Debtor and the Committee believe confirmation of the Plan is in the best interests of the Debtor's Creditors.

VII. CERTAIN TAX CONSEQUENCES

If required under any applicable federal or state law, the Debtor shall deduct any applicable federal or state withholding taxes from any distributions made pursuant to the Plan, and any such amounts deducted will be remitted to the appropriate governmental unit within the requisite time period prescribed by applicable law, rule or regulation. For tax purposes, distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest.

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