

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division**

In Re:)
)
WORLD OF WOOD, LTD.) **Case No. 16-13168 BFK**
) **Chapter 11**
Debtor.)

**FIRST AMENDED
DISCLOSURE STATEMENT OF
WORLD OF WOOD, LTD.**

THIS FIRST AMENDED DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN OF REORGANIZATION OF WORLD OF WOOD, LTD. NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT SHALL CONSTITUTE AN ADMISSION OF FACT OR LIABILITY BY ANY PARTY OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY OR BE DEEMED ADVICE ABOUT THE TAX OR THE LEGAL EFFECTS OF THE PLAN OF REORGANIZATION ON CREDITORS. ANY REPRESENTATIONS (OTHER THAN THOSE CONTAINED HEREIN) MADE TO INDUCE VOTING SHOULD BE REPORTED TO THE COURT AND OFFICE OF THE UNITED STATES TRUSTEE. CREDITORS ARE URGED TO CONSULT THEIR OWN LEGAL AND FINANCIAL ADVISORS CONCERNING THE CONSEQUENCES OF THE PLAN.

April 21, 2017

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ARTICLE I
DISCLOSURE STATEMENT SUMMARY

The following is a brief summary of certain information contained in this Disclosure Statement. This summary is incomplete and selective and is qualified in its entirety by more detailed information contained herein. Definitions of the capitalized terms are found in Article II.

1.01. Voting Procedure. An entity entitled to vote on the Plan must indicate its acceptance or rejection of the Plan on the ballot that accompanies this Amended Disclosure Statement. In order for a vote to count, the ballot must be received no later than 5:00 p.m., Eastern Time, _____ at the address shown on the ballot.

For the Plan to be confirmed, it must be accepted by at least one class of Impaired Claims. Section 1124 of the Bankruptcy Code sets forth the criteria by which it is determined whether a Claim is Impaired. An Impaired class of Claims accepts the Plan if at least two-thirds in amount and more than one-half in number of the Allowed Claims in the class that are actually voted, are cast in favor of the Plan.

1.02. Approval of Disclosure Statement. This Disclosure Statement has been determined by the Bankruptcy Court to contain information of a kind and in sufficient detail to enable a reasonable, hypothetical investor typical of holders of Impaired Claims to make an informed judgment concerning the Plan. **THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION BY THE BANKRUPTCY COURT EITHER FOR OR AGAINST THE PLAN. BANKRUPTCY COURT APPROVAL MERELY CONFIRMS THAT THE INFORMATION CONTAINED HEREIN IS SUFFICIENT TO ALLOW YOU TO MAKE AN INFORMED JUDGMENT IN CASTING YOUR BALLOT.**

In the event of any inconsistencies between the Plan and contents of this Disclosure Statement, the Plan shall control.

1.03. Information Regarding Disclosure Statement. No representations concerning the Debtor, the Debtor's operations, the value of the Debtor's property or the Plan are authorized unless they are in this Disclosure Statement. This Disclosure Statement is the only statement with respect to the Plan. No other representation concerning the Debtor, its operations or the value of its property has been authorized. You should rely only on the representations or inducements contained in this Disclosure Statement. You should report any additional representations and inducements to the Court, counsel for the Debtor, or Office of the United States Trustee.

The Debtor has endeavored to be accurate in this Disclosure Statement in all respects. Although the Debtor believes that the contents of this Disclosure Statement are complete and accurate, the Debtor is not able to warrant or represent that the information contained herein is without inaccuracy.

ARTICLE II **DEFINITIONS**

As used in the Disclosure Statement and Plan, the following terms have the respective meanings specified below (such meanings to be equally applicable to both the singular and plural, and masculine and feminine forms of the terms defined):

Administrative Bar Date means the date twenty-one (21) days after the Confirmation Date.

Administrative Claim means a Claim for payment of costs or expenses of administration specified in Sections 503(b) and 507(a)(1) and (b) of the Bankruptcy Code.

Allowed means a Claim, Administrative Claim, or Priority Claim: (a)(i) proof of which has been timely filed with the Bankruptcy Court or has been deemed timely filed by a Final Order, or if no such proof is filed, which has been scheduled by the Debtor in the Schedules other than as disputed, contingent or unliquidated, and (ii) as to which no party in interest has timely filed an objection, filed a complaint to subordinate, or otherwise sought to limit recovery within the time limits specified in this Plan or permitted by the Bankruptcy Court.

Disclosure Statement means this First Amended Disclosure Statement respecting the Plan approved by the Bankruptcy Court pursuant to Section 1125 of the Bankruptcy Code.

Ballot means the form transmitted to Creditors for voting to accept or reject the Plan in accordance with Section 1126 of the Bankruptcy Code.

Bankruptcy Code means Sections 101 *et seq.* of Title 11 of the United States Code, as now in effect or hereinafter amended.

Bankruptcy Court means the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division.

Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure, as amended from time to time, and the local rules of the Bankruptcy Court, as applicable to the Cases.

Bar Date means January 24, 2017 for all entities other than governmental entities, and March 20, 2017 for governmental entities.

Business Day means any day other than Saturday, Sunday or a “legal holiday” as such term is defined in Bankruptcy Rule 9006(a).

Cash means cash and cash equivalents in lawful currency of the United States of America, including, but not limited to, bank deposits, checks, and other similar items.

Causes of Action means any and all claims, causes of action, demands, rights, actions, suits, damages, injuries, remedies, accounts, powers, privileges, licenses, and franchises of the Debtor of any kind or character whatsoever, known, unknown, accrued or to accrue, contingent or non-contingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, whether arising before, on or after the Petition Date, in contract or in tort, in law or in equity, or under any other theory of law, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise.

Case means this case (No. 16-13168-BFK) concerning the Debtor, which is being administered by the Bankruptcy Court under Chapter 11 of the Bankruptcy Code.

Claim means a claim against the Debtor, as such term is defined in Section 101(5) of the Bankruptcy Code.

Class means a Claim or a group of Claims as classified under the Plan.

Confirmation Date means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the Bankruptcy Court's docket.

Confirmation Order means the order of the Bankruptcy Court confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

Creditor means an entity that holds a Claim.

Debtor means World of Wood, Ltd., a corporation organized under the laws of the Commonwealth of Virginia.

Disputed Claim means a Claim (or any portion thereof) as to which: (a) an objection has been timely filed, and such objection has not been: (i) withdrawn, or (ii) overruled or denied in whole by a Final Order; (b) before the deadline for an objection to the Claim to be filed, the amount of the Claim specified in the applicable proof of Claim exceeds the amount of any corresponding Claim scheduled by the Debtor in its Schedules or such Claim is scheduled as disputed, contingent or unliquidated by the Debtor; (c) there is a dispute as to classification of the Claim; (d) there is a dispute as to the estimated amount of such Claim under Section 502(c) of the Bankruptcy Code; (e) the Claim is contingent or unliquidated; (f) the Claim is subject to dispute, contest, offset, setoff, recoupment, defense, or counterclaim asserted in an adversary action or contested matter under the Bankruptcy Court at the time of any Distribution pursuant to Section 502(d) of the Bankruptcy Code or otherwise applicable law; or (g) the Claim is not otherwise an Allowed Claim.

Distribution means the distribution of Cash in accordance with the Plan.

Distribution Address means the last known address of a Creditor whether derived from the Schedules, a proof of Claim filed with the Bankruptcy Court, a notice of transfer of Claim filed pursuant to Bankruptcy Rule 3001(e), or other written notification to the Debtor concerning where a Distribution under the Plan is to be sent.

Effective Date means the tenth (10) day following the date the Confirmation Order becomes a Final Order.

Executory Contract means any executory contract or unexpired lease within the meaning of Section 365 of the Bankruptcy Code in effect between the Debtor and another entity as of the Petition Date.

Final Order means an order or judgment, as entered on the docket of the applicable court, that has not been reversed, modified or amended, is not stayed and as to which the time to appeal or to seek review or rehearing or petition for certiorari has expired without an appeal or application for review or rehearing or petition having been filed.

Impaired means any Class or any Claim in a Class, that is Impaired within the meaning of Section 1124 of the Bankruptcy Code.

Lien means “lien” as defined in Section 101(37) of the Bankruptcy Code.

Shareholder(s) means those individuals holding an ownership interest in the Debtor.

Plan means the plan of liquidation filed by the Debtor in this Case, under Chapter 11 of the Bankruptcy Code as the same may be altered, amended, or modified from time to time in accordance herewith (but after the Confirmation Date, such amendments or modifications being effective only if approved by order of the Bankruptcy Code.)

Petition Date means September 19, 2016, the date upon which the Debtor filed its voluntary Chapter 11 petition.

Practical means feasible under the circumstances, but no later than thirty (30) days after the specified date or action.

Pre-Petition means an event, occurrence or other thing first arising prior to the Petition Date.

Priority Claim means any unsecured Claim to the extent entitled to priority in payment under Section 507 of the Bankruptcy Code.

Quarterly Fees means the quarterly fees owed to the Office of the United States Trustee pursuant to 28 U.S.C. section 1930.

RMZ means RoganMillerZimmerman, PLLC, counsel to the Debtor.

Schedules means the schedules, as may be amended from time to time, of assets and liabilities filed by the Debtor with the Bankruptcy Court in accordance with Sections 521 and 1106(a)(2) of the Bankruptcy Code.

Secured Claim means any Claim to the extent such claim constitutes a secured Claim pursuant to Sections 506 or 1111(b) of the Bankruptcy Code.

Unsecured Claims means any Claim which is not secured by property of the Debtor and which is not entitled to a priority under the Bankruptcy Code.

Any term in this Amended Disclosure Statement that is not defined herein, and that is used in the Bankruptcy Code, shall have the meaning assigned to such term in the Bankruptcy Code.

ARTICLE III PURPOSE OF DISCLOSURE STATEMENT AND PROCEDURE FOR CONFIRMATION

3.01. Introduction. This Disclosure Statement has been prepared by the Debtor and is intended for all known Creditors entitled to vote on the Debtor's Plan. The purpose of this Disclosure Statement is to disclose information that the Bankruptcy Court has determined to be materially important or necessary for such Creditors to make informed decisions in voting to accept or reject the Plan. A copy of the Plan is attached to this Disclosure Statement, as Exhibit A. The Plan sets forth the proposal of the Debtor for satisfying pre-petition Claims and post-petition Administrative Expenses.

The information contained herein has not been subject to an audit. No representations concerning the Debtor or the Plan are authorized other than as set forth in this Disclosure Statement. Any representations or inducements made by any person to secure your vote, other than those contained herein, should not be relied upon.

The Debtor has endeavored to be accurate in this Disclosure Statement in all material respects. Although the Debtor has used its best efforts to ensure that the contents of this Disclosure Statement are complete and accurate, the Debtor is not able to warrant or represent that the information contained herein is without inaccuracy.

3.02. Brief Explanation of Chapter 11. Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to Chapter 11, the Debtor has been authorized to reorganize its financial affairs for its own benefit and that of its Creditors and other interested parties. Attempts at collection of Claims arising before the Petition Date

against the Debtor have been stayed during the Case, and the Debtor has managed its financial affairs as debtor-in-possession.

Formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. The Debtor's Plan is the vehicle for settling all Claims against the Debtor. The Debtor filed its Plan on March 10, 2017.

3.03. Approval of Disclosure Statement. As required by the Bankruptcy Code, this Disclosure Statement has been presented to and approved by the Bankruptcy Court. This approval means that the Bankruptcy Court has determined that this Disclosure Statement contains adequate information to enable Creditors eligible to vote on the Plan to make informed judgments concerning the Plan, but approval does not constitute a judgment by the Bankruptcy Court about the desirability of the Plan or the value of any consideration offered pursuant to the Plan. Interested parties are referred to Section 1125 of the Bankruptcy Code, which states, in part:

(b) An acceptance or rejection of a plan may not be solicited after the commencement of a case under this title from a holder of a claim or interest with respect to such claim or interests unless, at the time of or before such solicitation, there is transmitted to such holder the plan or a summary of the plan, and a written disclosure statement approved, after notice and a hearing, by the court as containing adequate information. The court may approve a disclosure statement without a valuation of the debtor or an appraisal of the debtor's assets.

(c) Whether a disclosure statement contains adequate information is not governed by any otherwise applicable non-bankruptcy law, rule, or regulation, but any agency or official whose duty is to administer or enforce such a law, rule, or regulation may be heard on the issue of whether a disclosure statement contains adequate information. Such an agency or official may not appeal from, or otherwise seek review of, an order approving a disclosure statement.

(d) A person that solicits acceptance or rejection of a plan, in good faith and in compliance with the applicable provisions of this title, or that participates, in good faith and in compliance with the applicable provisions of this title, in the offer, issuance, sale or purchase of a security, offered or sold under the plan, of the debtor, of an affiliate participating in a joint plan with the debtor, or of a newly organized successor to the debtor under the plan, is not liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing solicitation of acceptance or rejection of a plan or the offer, issuance, sale, or purchase of securities.

3.04 Confirmation of a Chapter 11 Plan. There are two methods by which the Plan can be confirmed: (1) the "acceptance" method, in which the Debtor and all Impaired classes of Claims have voted in the requisite amounts to accept the Plan, and (2) the "non-acceptance" or "cramdown" method, in which at least one class of Impaired Claims has voted in the requisite amounts to accept the Plan and certain other requirements are met with respect to the Debtor and all other Impaired classes of Claims.

A Claim that will not be repaid in full on the Effective Date or with respect to which the legal rights are altered, or an interest that is adversely affected, is "Impaired". A holder of a Claim in an Impaired class under the Plan is entitled to vote to accept or reject the Plan if such Claim has been Allowed or is deemed Allowed under Section 502 of the Bankruptcy Code, or is temporarily Allowed for voting purposes under Rule 3018 of the Bankruptcy Rules. In order for a class of Claims to vote to accept the Plan, votes representing at least two-thirds in amount and more than one-half in number of Claims actually voted in that class must be for acceptance of the Plan.

Section 1129(b) of the Bankruptcy Code provides that a Chapter 11 plan may be confirmed notwithstanding its rejection by one or more Impaired classes of Claims if certain requirements are met. First, with respect to each Impaired class of Claims that has not accepted the Plan, the Court must determine that each such class will receive or retain property of value not less than the amount such holders would receive if the Debtor were liquidated under Chapter 7. Second, the Court must find that the Plan does not discriminate unfairly and is fair and equitable, with respect to each Impaired class of Claims that does not accept the Plan. With respect to a class of Allowed Unsecured Claims, the fair and equitable test requires that, if the creditors in such class do not receive property with a value equal to the allowed amount of their claim, no junior class can receive anything pursuant to the Chapter 11 plan.

3.05. Voting on Plan. Each Impaired Creditor may vote on the Plan. Subject to the specific provisions of Section 1124 of the Bankruptcy Code, a Creditor with an Impaired Claim or Interest is deemed to include any Creditor that will receive less than full Cash payment for the allowed amount of its Claim on the Effective Date of the Plan. The holders of Claims that may be disputed by the Debtor may vote on the Plan only to the extent that their Claims are allowed by the Bankruptcy Court for the purpose of voting.

The Ballot attached to this Disclosure Statement is not a proof of claim. The Schedules filed by the Debtor and proofs of claim filed by Creditors may be inspected at the Bankruptcy Court. Only those votes that actually accept or reject the Plan will be counted.

In order to vote by mail, a Creditor must complete the ballot accompanying this Disclosure Statement and send it to be received not later than 5:00 p.m., Eastern Time, on _____ at the following address:

World of Wood, Ltd. Plan Voting
c/o Christopher L. Rogan, Esq.
ROGANMILLERZIMMERMAN, PLLC
50 Catocin Circle, NE, Suite 333
Leesburg, Virginia 20176

PLEASE REVIEW THIS DISCLOSURE STATEMENT CAREFULLY AND COMPLETE AND RETURN THE ACCOMPANYING BALLOT. YOUR VOTE IS IMPORTANT.

3.06. Failure to Vote. If you are entitled to vote and do not, the ballots will be counted as though your Claim does not exist. If the Court approves the Plan, you will be bound by its terms regardless of how your Claim is treated or whether or not you voted if the Plan is confirmed.

3.07. The Confirmation Hearing. The Bankruptcy Court has scheduled a hearing on Confirmation on the Debtor's Plan to commence on _____, **2017 at 11:00 A.M.**, at the United States Bankruptcy Court in Alexandria, Virginia. At that hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including whether it is feasible and whether the Plan is in the best interests of Creditors who are entitled to vote to accept or reject the Plan. The Bankruptcy Court also will receive and consider a summary of ballots concerning the votes cast for acceptance or rejection of the Plan by the Creditors entitled to vote on the Plan.

3.08. Effect of Confirmation. If the Court confirms the Plan, Creditors may no longer pursue or enforce Claims against the Debtor that existed before the Petition Date. The Plan provides for payments to be made to creditors from the proceeds of the Debtor's continued operations.

ARTICLE IV BACKGROUND INFORMATION

4.01 The Pre-Petition Debtor.

The Debtor began business in 1976, when it started manufacturing and selling wood furniture, in Alexandria, Virginia, under the name of "The Loft Bed Store." Over the next 40 years, the Debtor grew from a two man operation to over 50 employees, three locations and total annual sales of over \$4 Million. The Debtor currently operates under the name "Hardwood Artisans."

The Debtor's furniture line expanded from bedroom furniture to a variety of high-end wooden dining room, bedroom, kitchen and other household furniture that is manufactured out of specialty woods, hardware and other products. The Debtor does not use distributors. Instead, the Debtor sells directly to the public, through its three retail stores and online. The Debtor's manufacturing facility is located in Elkwood, Virginia, together with one of the retail locations. The other two retail stores are located in Bethesda, Maryland and Fairfax, Virginia.

The Debtor's gross sales reached a high of \$6.2 Million in 2008. The Debtor's sales were \$4,380,995.00, in 2015, and \$4,407,071.00, in 2016.

The majority of the Debtor's products are sold to private individuals and businesses, although, through the years, it has had certain federal government contracts, as well. In 2014, one of the Debtor's significant federal government contracts expired and was not renewed. At that time, the Debtor's federal contract sales from that one contract accounted for approximately \$1.2 Million or 22% of the company's revenue. The loss of that contract, together with increased materials costs and other factors led to a substantial decline in the Debtor's sales and profitability during 2015 and 2016.

In addition, in 2016, the Debtor elected to close one store, located in Shirlington, Virginia, due to the declining market and changing demographics in that area. The Debtor was unable to resolve the issues arising out of the store closing with the landlord, leading to a lawsuit and judgment against the Debtor and the attachment of the Debtor's operating account. The attachment of the Debtor's operating account led to further financial strain and jeopardized the Debtor's ability to continue operations. The Debtor took various steps to reduce expenses and increase profitability and was successful in surviving the first attachment and correcting a number of operational issues. However, the same landlord then sued the Debtor again. Although the Debtor attempted to resolve the landlord's additional claims, it was unable to do so, and the landlord commenced litigation against the Debtor, in which the landlord ultimately asserted a claim in excess of \$1 Million.

In September 2016, the Debtor determined that it should seek bankruptcy relief in order to restructure its business and debt.

4.02 The Bankruptcy Filing. The Debtor's Chapter 11 proceeding was filed on September 19, 2016. Since that time, the Debtor has continued to operate its business and has worked hard to rebuild its business and generate sales necessary to repay its creditors as much as possible and to propose a confirmable plan of reorganization.

As of the Petition Date, the Debtor was indebted to Access National Bank ("ANB") in the amount of approximately \$139,000.00, pursuant to the terms of a Promissory Note, dated July 1, 2011, in the original principal amount of \$150,000.00 (the "ANB Note"). The ANB Note is secured by a lien on essentially all of the Debtor's assets, including its inventory, accounts, equipment and general intangibles. The monthly payment amount under the ANB Note was (and continues to be) \$3,400.00. The Debtor was current on the payments due under the ANB Note, as of the Petition Date, and has remained current since. ANB filed a proof of claim (Claim No. 9), asserting the claim amount to be \$135,097.63. As of the date of this Disclosure Statement, the outstanding balance of this claim is approximately \$122,654.00.

The Debtor has also reduced its overall unsecured obligations, since its Petition Date, through the payment of priority wage claims (\$34,160.80) and certain critical vendors (\$84,349.00), all of which payments were approved by order of the Bankruptcy Court. The Debtor has also worked hard to preserve its vendor and customer relationships, and has been successful in continuing to grow its sales. Although the

Debtor ended 2016 with a loss of approximately \$130,000.00, the Debtor expects to realize a profit in 2017 of approximately \$31,666.11. Over the 60 month period of its Plan, the Debtor expects to realize a profit of at least \$254,132.99. From its operations, the Debtor will be able to pay all of its secured, Chapter 11 administrative and priority tax claims in full and to provide a return to unsecured creditors as well from the continued anticipated profits of the Debtor's operations.

ARTICLE V
DEBTOR'S ASSETS

5.01 Pre-petition Assets. As of the Petition Date, the Debtor's assets consisted of the following, which are estimated by management to have the following values:

Raw inventory	\$ 61,638.00
Finished inventory	\$ 193,000.00
Office equipment, furniture and fixtures	\$ 5,500.00
Manufacturing equipment	\$ 100,000.00

The Debtor's only other assets, of the Petition Date, were its three (3) commercial real property leases, which are not believed to have had any value that could be realistically realized through lease assignments or the like.

5.02 Current Assets. Since the Petition Date, the Debtor has continued to operate its business, which, out of necessity, has required the Debtor to utilize its raw inventory (wood, hardware and other furniture assembly materials) and to sell a portion of its finished inventory (furniture items). For the most part, inventory that has been utilized in the Debtor's post-petition business operations has been replaced, in the normal course of business. The amount of finished inventory has increased to approximately \$250,000.00 retail value or \$125,000.00 liquidation value. There has been no significant change in the Debtor's office equipment, furniture and fixtures and manufacturing equipment. The only changes in such property has been as a result of repair, replacement and disposal of equipment in the ordinary course.

ARTICLE VI
DEBTOR'S LIABILITIES

6.01 Secured Claims. On the Petition Date, ANB was owed approximately \$139,000.00, which obligation secured by the Debtor's inventory and other assets. As the value of the collateral, as of the Petition Date, was equal to or greater than the total amount owed to the ANB, the Debtor believes that the bank is fully secured and treats the claim as such in the Plan. ANB's secured claim has been paid down, during the course of the Debtor's chapter 11 proceeding, and the current balance is approximately \$122,000.00. In addition, the Debtor is the co-maker with Artisans Partnership, LLC, an affiliate of the Debtor, on a note to ANB in the amount of \$231,890.97 (as of the Petition

Date), as reflected in ANB Proof of Claim No. 10. This obligation is also secured by a lien on the Debtor's assets.

6.02 Priority Claims. As of the Petition Date, the Debtor had unsecured priority wage Claims of approximately \$34,160.80, which were owed to the Debtor's employees. Pursuant to an order of the Bankruptcy Court, the Debtor was authorized to pay its employees' priority wage claims. All of those Claims have been paid. The only other unsecured priority Claim scheduled by the Debtor was a claim of the Commonwealth of Virginia of \$13,611.00, in sales and use taxes. The Debtor has continued to make payments under a payment plan and expects that the entire Virginia tax claim will be paid by the anticipated Confirmation Date. However, it is believed that an additional \$7,147.30 is owed to the District of Columbia and \$7,096.13 is owed to Culpepper County, in sales and use taxes, of which the Debtor was unaware as of the Petition Date. The Debtor is setting up a payment plan with Culpepper County and hopes to do the same with the District of Columbia.

6.03 Unsecured Claims. The Debtor's schedules identified total Unsecured Claims of approximately \$4,085,682.56. However, this amount included two significant contingent guarantee claims, namely:

(1) an obligation to Access National Bank in the amount which was scheduled at \$1,460,000.00, reflected in ANB Proof of Claim No. 11, in the amount of \$1,127,285.44, as of the Petition Date, which obligation the Debtor guaranteed for its affiliated entity, Artisans Partnership, LLC, the owner and landlord of the manufacturing and sales facility leased by the Debtor in Elkwood, Virginia; and

(2) an obligation to Wells Fargo Bank/SBA Loan of \$986,000.00, which obligation the Debtor guaranteed for Artisans Partnership, LLC; and

In addition, the scheduled Unsecured Claims included an unliquidated and disputed claim of the Debtor's former landlord, in the amount of \$1.3 Million. The former landlord has filed a Proof of Claim in the amount of \$203,966.83, which amount will be the Allowed Claim, unless objected to by the Debtor.

After deducting the guarantee claims and reducing the contingent landlord claim, the total Unsecured Claims, as of the Petition Date, were approximately \$543,649.39. The scheduled Unsecured Claims also included approximately \$100,770.00 in Claims of critical vendors, the payment of which the Debtor considered critical to the Debtor's continued operations and reorganization. The Debtor sought and obtained Bankruptcy Court approval to pay such critical vendor Claims, and, as of the date of this Disclosure Statement, approximately \$84,349.66 of the critical vendor Claims have been paid. In addition to the Debtor's scheduled claims, unsecured creditors have filed proofs of claims, increasing the total unsecured claims by a net of approximately \$19,000.00. However, one creditor, Woodcock and Associates (the Debtor's accountants), has waived its unsecured claim of \$21,511.18, as a condition to its appointment as accountant to the Debtor. As such, the total unsecured claims asserted against the Debtor, as of the date of

this Disclosure Statement, have decreased and are expected to total approximately \$457,298.90. The Debtor has not yet determined which, if any of the proofs of claim filed by creditors, will be objected to.

6.04 Administrative Claims. As of the date of this Disclosure Statement, no Administrative Claims were owed. The Debtor's counsel currently holds approximately \$16,000.00 in its trust account, against which amount counsel has incurred approximately \$16,000.00 in fees and expenses that expected to be approved prior to confirmation. It is anticipated that the Debtor will incur an additional \$15,000 - \$20,000 in fees and expenses through Plan confirmation. In addition, an application for allowance of fees incurred by Debtor's accountant, in the amount of \$50,368.00, has been filed and are expected to be approved prior to confirmation of the Plan. The Debtor anticipates that an additional \$12,000.00 in accounting fees will be incurred, prior to confirmation of the Plan.

ARTICLE VII

MISCELLANEOUS INFORMATION

7.01 Operating Reports. Debtor has filed its monthly operating reports, which reflect all business activity during the Chapter 11 proceeding. Copies are available from the Bankruptcy Court.

7.02 Scheduled Claims. The Schedules of Assets and Liabilities and Statement of Financial Affairs have been filed in this Case. Copies are available from the Bankruptcy Court. Proofs of Claims have been filed by several creditors which may alter the amounts of the affected Claims.

7.03 Third Party Obligations. The Debtor has guaranteed two obligations of its affiliate, Artisans Partnership, LLC, to ANB in the amount of \$1,127,285.44 (ANB Proof of Claim No. 11) and to Wells Fargo in the amount of \$986,000.00 (the "Guarantee Claims"), and is a co-maker with Artisans Partnership, LLC) on a note to ANB in the amount of \$231,890.97 (as of the Petition Date)(ANB Proof of Claim No. 10), The primary obligor on these obligations, Artisans Partnership, LLC, is current on the payments due on these obligations. The Debtor will remain obligated on these obligations and, in the case of ANB, the creditor shall continue to hold its lien on the assets of the Debtor, but the underlying debts are expected to continue to be paid by Artisans Partnership, LLC and require no payments from the Debtor. The Claims of Access National Bank and Wells Fargo are also guaranteed by the Debtor's Shareholders. The Shareholders will continue to guarantee those claims.

7.04 Future of Debtor. It is the intention of the Debtor to continue operating its furniture manufacturing and sale business at its current locations and to pay its creditors, pursuant to the terms of its Plan, the net operating income generated from the Debtor's continued operations.

ARTICLE VIII
SUMMARY OF PLAN

8.01 Continuation of Business. The Debtor proposes to continue its furniture manufacturing and sale business and to pay creditors from the net income generated therefrom.

8.02 Projected Revenue. Attached hereto as Exhibit B is a five (5) year projection (2017 – 2022) of the anticipated revenue to be generated by the Debtor’s business operations and expenses. These projections are based on management’s many years of experience operating the Debtor’s business. Based on the Debtor’s projections, the Debtor anticipates generating net profits of \$254,132.00, over the 60 month Plan term, after payment of all operating expenses and secured debt service and priority tax claims.

Following the Effective Date, the Debtor will continue making payments to ANB on its secured Claim and to the Debtor’s administrative creditors. Following the first quarter of the Plan Term and continuing through the 60 month Plan Term, payments will be made to the unsecured creditors, based on the operational performance of the Debtor. Based on the Debtor’s performance over the last many year, and its success in rebuilding its business and revenue flow, the Debtor believes that it will be able to pay its ongoing rent and all other operating expenses, and to repay the secured, administrative and priority unsecured claims, in full, and to pay a return to general unsecured creditors, which the Debtor estimates will be at least 56%, based on the amount of Claims currently scheduled and for which proofs of claim have been filed.

8.03 Classes of Claims and Interests. The Plan divides Creditors and interest holders into seven (7) Classes as follows:

Class 1 consists of the Secured Claim of Access National Bank, in the amount of \$122,000.00 (as of the date of this Disclosure Statement, to be revised as additional payments are made pending the Confirmation Date), which claim is fully secured by the value of its collateral.

Class 2 consists of the Unsecured Priority Claims of the Taxing Authorities, in the amount of approximately \$14,243.43.

Class 3 consists of the non-priority Unsecured Claims of Claimants holding claims of \$1,000.00 or less. The total of Claims in Class 3 is approximately \$18,226.00.

Class 4 consists of the non-priority Unsecured Claims of Claimants holding claims in excess of \$1,000.00. The total claims in Class 4 is approximately \$439,032.00.

Class 5 consists of the contingent Guarantee Claims of Access National Bank (Proof of Claim No. 11) and Wells Fargo Bank, as described in Section 7.03 above.

Class 6 consists of the secured claim of Access National Bank (Proof of Claim No. 10), as described in Section 7.03 above.

Class 7 consists of the Ownership interests of the Debtor's Shareholders, Curtis Smay, John Buss, Mark Gatterdam, Ricardo Berrum, John Hillgren, and Kevin Carlson.

8.04 Treatment of Classes under Plan.

Class 1 – Access National Bank. Class 1 is impaired. ANB shall retain its lien on the Collateral which secures its Secured Claim. ANB shall be paid the full amount of its Secured Claim, consistent with the terms of the loan documents; specially, payments shall continue to be made, at the rate of \$3,400.00 per month, over the Plan Term, until the Claim is paid in full. Upon payment of the Class 1 Secured Claim and Class 6 Claim (as provided below), ANB's lien on the collateral shall be released.

Class 2 – Unsecured Priority Tax Claims. The Taxing Authorities shall be paid the full amount of their Unsecured Priority Tax Claims in twelve (12) equal installments of (approximately) \$1,186.95, to be divided among the two Taxing Authorities on a *pro rata* basis. The first payment to be made on the last day of the first full month following the Effective Date.

Class 3 – General Unsecured Creditors – Administrative Convenience. Class 3 is Impaired. The Class 3 Creditors will be paid eighty percent (80%) of their allowed Unsecured Claims, within thirty (30) days of the Effective Date.

Class 4 – General Unsecured Creditors -- Other. Class 4 is impaired. All General Unsecured Creditors, other than Class 3 Creditors, shall be paid, on a *pro rata* basis, up to the full amount of the Class 4 Creditors' Allowed Claims, the Net Income of the Debtor, after payment of Classes 1 – 3 above. Payments shall be made on a quarterly basis, over the Plan Term, with payment beginning on the last day of the first month of the second full quarter, following the Effective Date, with subsequent quarterly payments (the "Class 4 Quarterly Payment(s)") to be made on the last day of the first month following the quarter for which the payment is due. Eighty-five percent (85%) of each Class 4 Quarterly Payment shall be made to Class 4 Creditors with the fifteen percent (15%) balance being held in a reserve account (the "Operational Reserve"), which shall be used by the Debtor to the extent required to pay ongoing operational expenses during the Plan Term. At the end of the Plan Term, all amounts remaining in the Operational Reserve, shall be distributed to Class 4 Creditors on a *pro rata* basis. In addition, if the amount of Net Income of the Debtor, for any Plan year exceeds the Net Income projected in Exhibit B hereto, the Class 4 Creditors shall receive fifty percent (50%) of such excess, on a *pro rata* basis and up to the full outstanding balance of the Class 4 Creditors' Allowed Claims, with remaining fifty percent (50%) being available for use by the

Debtor to pay employee bonuses and/or increased compensation or retained for operational expenses or expansion, in the discretion of Debtor's management.

Class 5 – Guarantee Claims. Class 5 is impaired. Access National Bank and Wells Fargo will continue to be paid the amount of their respective Guarantee Claims by the primary obligor, Artisans Partnership, LLC, and will receive no payment directly from the Debtor under the Plan, on account of these Claims, so long as payments are made by Artisans Partnership, LLC. To the extent Artisans Partnership, LLC defaults on its payment obligations on the Guarantee Claims and the holders of the Guarantee Claims provide written notice to the Debtor of such default, then the Class 5 Claims shall be treated as Class 4 Claims and shall be included in payments made to the Class 4 claimants from the date of the written default notice forward, unless and until Artisans Partnership, LLC cures the payment default.

Class 6 – Access National Bank Claim No. 10 – Class 6 is impaired. Access National Bank will continue to be paid the amount of its Claim No. 10 by Artisans Partnership, LLC, and will receive no payment directly from the Debtor under the Plan on account of this Claim, so long as payments continue to be made by Artisans Partnership, LLC. ANB shall continue to hold its lien on the Debtor's assets to the same extent as held on the Petition Date. To the extent Artisans Partnership, LLC defaults on its payment obligations to Access National Bank on Claim No. 10 and Access National Bank provides written notice to the Debtor of such default, then the Class 6 Claim shall be treated as a Class 1 Claim and shall be paid pursuant to the terms of the underlying note between ANB and the Debtor/Artisans Partnership, LLC., from the date of the written default notice forward, unless and until Artisans Partnership, LLC cures the payment default.

Class 7 – Ownership interests. Class 7 is impaired. The ownership interests of the Class 7 Interest holders shall be extinguished as of the Effective Date. Each of the former Shareholders will be granted an equity interest in the reorganized Debtor, in percentages equal to their interests in the pre-petition Debtor. In consideration of the equity in the reorganized Debtor, the Shareholders shall (a) pay to the reorganized Debtor the amount of \$15,000.00, on or before the Effective Date, (b) continue to provide services to the Debtor at the reduced compensation rates in effect as of the Confirmation Date, and (c) continue to remain liable on the personal guarantees of the ANB Claim, until such Claim is paid in full. The amount contributed by the Class 7 Interest holders will be used toward the payment of the Class 3 Claims, as provided above.

8.05 Classes Entitled to Vote. All Creditors are Impaired and are thus entitled to vote to accept or reject the Plan.

8.06 Unclassified Claims. Unclassified Claims consist of Administrative Claims and Priority Tax Claims. The tax claims shall be paid in accordance with Section 1129(a)(9)(C) of the Bankruptcy Code, and as provided above. Holders of Administrative Claims will be paid in full on the later of the Effective Date or within

thirty (30) days of Allowance of their Claim, unless otherwise agreed between the Debtor and the holder of the Administrative Claim.

ARTICLE IX
EXECUTION AND IMPLEMENTATION OF THE PLAN

9.01 Payment of Claims. Payment of all Claims, as provided herein, shall be paid as soon as practical after Confirmation of the Plan.

9.02 Executory Contracts. The Debtor believes that its only Executory Contracts or Unexpired Leases are its three commercial real property leases with Saintgreenmo, LLC, Artisans Partnership, LLC and Street Retail, Inc. The Debtor has filed a motion for approval of the assumption of its lease with Saintgreenmo, LLC, which motion has been approved. The Debtor has also filed a motion for approval of the assumption of its other two leases, which is expected to be granted prior to the confirmation of the Plan. Any and all other Executory Contracts and Unexpired Leases, which are not expressly rejected or assumed and assigned in the Plan or otherwise, as of the Confirmation Date, shall be rejected, effective as of the Effective Date. Any damage claims resulting from the rejection of Executory Contracts shall be filed on or before the thirtieth (30th) day following the Confirmation Date, otherwise such claims shall be deemed waived and forfeited, or, if timely filed, shall be treated as Class 3 or 4 Claims (depending on the amount of the Claim).

9.03 Objection to Claims. Objections to Claims shall be filed within thirty (30) days of the later of the Effective Date or the date upon which the Claim is filed, in the event of Administrative or executory contract or unexpired lease rejection claims.

9.04 Further Documents and Actions. The Debtor is authorized to execute and file such agreement and other documents, and take or cause to be taken such action, as may be necessary or appropriate to effect and further evidence the terms and conditions of the Plan.

9.05 Additional Requirements of the United States Trustee. As required by the Bankruptcy Code and other applicable law, the Debtor shall continue to (i) make all payments of Quarterly Fees, and (ii) file quarterly operating reports through the closing of the Case.

9.06 Post-confirmation Management and Compensation. Curtis Smay and Ricardo Berum are the co-CEOs and managers of the Debtor, and will continue to manage and administer the business and financial affairs of the reorganized Debtor, following confirmation of the Plan. Messrs. Smay and Berum will continue to receive compensation of \$27/hr (plus time and one half for hours worked over 40 hours per week), for a total compensation of approximately \$70,000.00 per year. The other four Shareholders are paid at the same rate. These salaries may be increased by the Debtor by up to three percent (3%) each year during the Plan term, as reflected in the Debtor's projections, attached as Exhibit B. Prior to the Debtor's Petition Date, the Shareholders

had voluntarily reduced their compensation from, on average, approximately \$100,000.00 to approximately \$70,000.00. The Shareholders' compensation rate shall remain at the reduced level, subject to the annual adjustments as indicated above.

9.07 Manner of Payment Under the Plan. Any distribution made under the Plan shall be made by check.

9.08 Time Bar to Cash Distribution Checks. Checks issued on account of an Allowed Claim shall be null and void if not negotiated within one hundred and twenty (120) days of issuance. Requests for re-issuance of any check shall be made to RLF. **Any claim with respect to a voided check must be made on or before six (6) months of issuance. After such date, all Claims shall be discharged and the entitlement to a distribution shall be barred.** Funds from the voided check will be re-distributed pursuant to the terms of the Plan.

ARTICLE X

EFFECT OF CONFIRMATION

10.01 Injunction. Except as otherwise expressly provided in the Plan, the Confirmation Order shall provide, among other things, that all entities who have held, hold or may hold Claims against the Debtor are permanently enjoined on and after the Effective Date:

- a. from commencing or continuing in any manner, directly or indirectly, any action or other proceeding of any kind with respect to any such Claim against the Debtor or its assets with respect to such Claim;
- b. from the enforcement, attachment, collection or recovery by any manner or means, directly or indirectly, or any judgment, award, decree or order against the Debtor or its assets with respect to any such Claim;
- c. from creating, perfecting or enforcing, directly or indirectly, any encumbrance of any kind against the Debtor, or against its assets, with respect to such Claim;
- d. from asserting, directly or indirectly, any setoff, right of subrogation or recoupment of any kind against any obligation due to the Debtor, against its assets with respect to such Claim; and
- e. from any act, in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan relating to any Claim.

10.02 Allowance of Claims. Nothing contained in the Plan shall prohibit the holder of a timely filed Claim, to which the Debtor has filed an objection, from litigating its right to seek to have such Claim declared an Allowed Claim.

10.03 Binding Nature. Except as otherwise provided for in the Plan or in the Confirmation Order, upon Confirmation, the Plan shall be binding on all Creditors, regardless of whether their respective Claims are Impaired or unimpaired and regardless of whether the Creditors have accepted the Plan.

ARTICLE XI

RETENTION OF JURISDICTION

Notwithstanding Confirmation of the Plan or the Effective Date having occurred, the Bankruptcy Court shall retain sole jurisdiction of this Case for purposes of Sections 105(a), 362, 1127 and 1146(a) of the Bankruptcy Code and for the following purposes:

- a. To enforce and interpret the Plan, to resolve any disputes arising under or in connection with the Plan, to effectuate payments under the Plan, and to compel performance of any person in accordance with the provisions of the Plan;
- b. To determine all matters with respect to the subordination, allowance, or disallowance of Claims or any portion thereof;
- c. To determine all matters with respect to property of the Estate or the Debtor, including, but not limited to matters brought under Sections 506(c), 541, 542, 547, 548, 550, and 551 of the Bankruptcy Code;
- d. To determine any motions for assumption or rejection of Executory Contracts, to determine the amount of damages, if any, suffered by the non-Debtor party to any rejected Executory Contract, and to fix the allowance of any Claim resulting from the rejection of the any Executory Contract.
- e. To determine such other matters and for such other purposes as may be provided for in the Confirmation Order or otherwise deemed appropriate to accomplish its purposes;
- f. To correct any defect, or cure any omission or to reconcile any inconsistency in the Plan or in the Confirmation Order, all as may be necessary or appropriate to carry out the intent and purpose of the Plan;
- g. To make orders as are necessary or appropriate to carry out the provisions of the Plan;
- h. To classify, allow, or disallow Claims and Interests;

- i. To liquidate or estimate damages, or to determine the manner and time for such liquidation or estimation in connection with any contingent or unliquidated Claim;
- j. To determine any and all disputes among Creditors with respect to their Claim(s);
- k. To adjudicate all disputes with respect to Claims or any lien, consensual or otherwise, on any asset of the Debtor or proceeds thereof;
- l. To hear and determine any and all motions, applications, adversary proceedings, or other matters arising out of or relating to the Plan or the Case, including without limitation matters relating to the post-petition sale of the Property;
- m. To hear and determine matters covering state, local, and federal taxes pursuant to Sections 346, 505, 525 and 1146;
- p. To determine the final amounts allowable as compensation or reimbursement of expenses pursuant to Section 503(b) and 506(b);
- q. To allow fees and reimbursement of the expenses incurred prior to the Confirmation Date by professional persons employed during this Case or any other person or entity applying for compensation;
- r. To enter and implement such orders as may be appropriate in the event the Order of Confirmation is for any reason modified, reversed, revoked or vacated.
- s. To confirm the Plan as modified pursuant to Section 1127(b) or to remedy any defect or omission or reconcile any inconsistency in the Confirmation Order; or
- t. To enter a Final Order closing the Case.

ARTICLE XII
CONSIDERATIONS IN ACCEPTING THE PLAN

12.01 Impairment. A Class of Creditors is considered to be “Impaired” where its legal, equitable or contractual rights are being modified by the Plan. Where a Class is unimpaired, it is deemed to have accepted the Plan and is not entitled to vote. All Classes of Creditors to be paid under the Plan are Impaired, and are entitled to vote.

12.02 Acceptance. Except as set forth in 12.04 below, a plan must be accepted by all Impaired Classes in order to be confirmed. A Class has accepted the plan if the

plan is accepted by voting creditors who hold at least two thirds in amount and more than one half in number of the Allowed Claims in that Class. In computing acceptance, the votes of insiders are not counted.

12.03 Other Requirements for Confirmation. If all classes have accepted the plan, the Court must still determine whether the plan complies with the requirements set forth in Section 1129 of the Bankruptcy Code. In general terms, and as it applies to this Plan, these requirements are as follows: (i) the Plan complies with all of the requirements of the Bankruptcy Code and of applicable non-bankruptcy law; (ii) the Plan has been proposed in good faith; (iii) the Plan proponent has disclosed the identity and affiliation of the post-confirmation management; (iv) the Plan is in the best interests of the Creditors; and (v) the Plan is feasible. In considering whether a plan is in the best interests of creditors, the court looks at whether the plan provides creditors with at least as much as they would receive if the debtor were liquidated in a Chapter 7 and the assets distributed to creditors. In determining feasibility, the court looks at whether the obligations under the plan can be performed.

12.04 Confirmation over the Rejection by a Class or Classes of Creditors. A vote rejecting the Plan by an Impaired class of Claims does not necessarily make confirmation of the Plan impossible, so long as the Plan does not discriminate unfairly, and is fair and equitable with respect to the dissenting class. In addition, each Creditor in the dissenting class must receive or retain under the Plan, on account of its Allowed Claim, property of a value equal to or greater than what the Creditor would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code.

ARTICLE XIII **RISK FACTORS**

This Plan, like most plans and other business endeavors, involves risks. The principal risk factor is that the Debtor will not be able to generate business and sales sufficient to pay the Claims intended to be paid under the Plan. The Debtor's Plan is structured what is commonly referred to as a "pot plan." As such, operating expenses will be paid, and then creditors will be paid from the net income remaining after payment of those expenses. While it is impossible for the Debtor to predict with certainty the amount the creditors will ultimately be paid, the Debtor has prepared projections based on the best information available to the Debtor and its legal and financial advisors and management's experience in the furniture manufacturing and sales industry. The Debtor believes that the projected sales are attainable and that the projected operating costs are reasonable.

ARTICLE XIV **TAX CONSEQUENCES**

Confirmation of the Plan may modify, or affect the timing of the federal income tax treatment of Claims. In addition, state tax consequences may flow from the Plan, depending on the state of residence of the Creditor. Differences among Creditors,

including differences in form of organization, methods of accounting, prior tax related actions taken with respect to the Claims, may have a material effect on tax treatment of the Plan.

CREDITORS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THE PLAN IN THEIR PARTICULAR CIRCUMSTANCES.

ARTICLE XV
LIQUIDATION ANALYSIS

Section 1129(a)(7)(A) of the Bankruptcy Code requires that holders of Claims that are Impaired under the Plan who do not vote for the Plan must receive property under the Plan worth, as of the Effective Date, at least as much as the amount they would receive if the Debtor liquidated in a Chapter 7 bankruptcy. Based on the following analysis, the Debtor believes that the distribution under the Plan is preferable to the distribution creditors would receive if the Debtor's Estate was liquidated under Chapter 7.

In a hypothetical Chapter 7, the Chapter 7 trustee is charged with expeditiously reducing all assets of the debtor to cash and distributing the cash to creditors. While the value of the Debtor's inventory and other assets is believed to exceed the amount of ANB's Secured Claim, it is likely that the value of the assets that would be realized in a liquidation would likely be less than the amount owed to the bank or that any surplus would be minimal.

As of the date of this Disclosure Statement, the liquidation value of the Debtor's assets is estimated by the Debtor's management at \$258,000.00 (raw inventory - \$30,500.00; finished inventory - \$125,000.00; office furniture and equipment \$2,500.00; and machinery and equipment - \$100,000.00). ANB is owed \$122,000.00. If the Debtor's assets were liquidated, in a Chapter 7 proceeding or otherwise, there would be approximately \$72,000.00 available to pay to creditors, after ANB's secured Claim and the costs of sale (estimated at 20%) are paid, resulting in a distribution of sixteen percent (16%) or less. Under the terms of the Debtor's Plan, unsecured creditors will likely receive a distribution of fifty-six percent (56%). When the prior payments of priority wage and tax claims and critical vendor claims are considered, unsecured creditors will receive a total distribution of sixty-seven percent (67%), if the Plan is confirmed and fully consummated.

Accordingly, the Debtor believes that the proposed Plan is in the best interests of its creditors and will result in the maximum possible recovery.

CONCLUSION

For these reasons, the Debtor believes that the Plan and payments proposed thereunder are in the best interest of its Estate, Creditors holding Allowed Claims and the equity holders.

Dated: April 21, 2017

Respectfully submitted,

WORLD OF WOOD, LTD.

By Counsel

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