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**UNITED STATES BANKRUPTCY COURT**  
**CENTRAL DISTRICT OF CALIFORNIA**  
**LOS ANGELES DIVISION**

In re:  
  
WORLD BAZAARS, INC., a California corporation,  
  
Debtor.

Case No. LA 00-24386 ES

Chapter 11

**SECOND AMENDED CHAPTER-11 PLAN PROPOSED BY  
WORLD BAZAARS, INC. (DATED NOVEMBER 10, 2000)**

**Confirmation Hearing**

DATE: January 25, 2001  
TIME: 10:00 a.m.  
PLACE: Courtroom 1645  
Roybal Federal Building  
255 E. Temple St.  
Los Angeles, CA 90012

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I.

**DEFINITIONS**

The following terms (which appear in this Plan as capitalized terms), when used in this Plan, have the meanings set forth below:

**"1998 Restructuring"** means the corporate restructuring that is discussed in Section IV.B.1 of the Disclosure Statement.

**"Abulafias"** means Hayim Abulafia; Julie Landstad Abulafia; Hayim and Julie Abulafia as husband and wife; the Abulafia Trust; the Hayim and Julie Abulafia Family Partnership; the Abulafia insurance trust described in Section IV.C.1.b.(2)(d) of the Disclosure Statement; any other entity whose beneficiary is, or that is either partially or entirely controlled by, one of the foregoing entities; and any affiliates of the foregoing entities.

**"Abulafia Escrow Account"** means a segregated, interest-bearing account to be maintained by the Continuing Estate as set forth in Sections IV.B.2 and IV.F.

**"Abulafia Trust"** means the trust established by Declaration of Trust known as the Abulafia Trust, dated March 3, 1994, as amended and restated by the Abulafia Trust (1997 Restatement) dated October 6, 1997. Hayim Abulafia and Julie Landstad Abulafia are co-trustees of the Abulafia Trust.

**"Administrative Claim"** means a claim for administrative costs or expenses that are allowable under Bankruptcy Code section 503(b). These costs or expenses may include: (a) actual costs or expenses that were incurred after the Petition Date and that were necessary to preserve the Estate and wind down World Bazaars' business; (b) Professional-Fee Claims; (c) Administrative Tax Claims; (d) Ordinary-Course Administrative Claims; or (e) Non-Ordinary-Course Administrative Claims.

**"Administrative Tax Claim"** means a Claim that is not an Allowed Secured Claim and that a government unit asserts against World Bazaars either for taxes or for related interest or penalties for any tax period that—in whole or in part—falls within the Postpetition Period.

**"Allowed Administrative Claim"** means an Administrative Claim that is allowed as set forth in Section IV.A.1.

**"Allowed Claim or Allowed Interest"** means a Claim or Interest, other than an Administrative Claim, to the extent that:

- (a) Either: (1) a proof of claim or proof of interest was timely filed; or (2) a proof of claim or proof of interest is deemed timely filed either under Bankruptcy Rule 3003(b)(1)-(2) or by a Final Order; and
- (b) Either: (1) the Claim or Interest is not a Disputed Claim or a Disputed Interest; or (2) the Claim or Interest is allowed either by a Final Order or under the Plan.

Unless otherwise specified in the Plan, an Allowed Claim does not include interest on the Claim accruing after the Petition Date. Moreover, any portion of a Claim that is satisfied or released during this Liquidation Case is not an Allowed Claim.

**"Avoidance Action"** means any claims or rights—other than Insider Litigation—under Bankruptcy Code sections 510, 542, 543, 544, 547, 548, 549, 550, 551, 552, and 553; all fraudulent-conveyance and fraudulent-transfer laws; all non-bankruptcy laws vesting in creditors rights to avoid, rescind, or recover on account of transfers; all preference laws; the Uniform Fraudulent Transfer Act; and California Civil Code sections 3440 and 3439 *et seq.* Avoidance Actions do not include any claims, rights, or causes of action—including any claims, rights, or causes of action against the Bank Group—that have been released under Section VIII.

**"Avoidance Recoveries"** means any cash or other consideration recovered through an Avoidance Action.

**"Bank Group"** means, collectively, the following entities and their successors or assigns: Citizen's Business Credit, a division of Citizen's Leasing Corporation; Dredner Bank AG, New York and Grand Cayman Branches; Bank Leumi USA; Fleet Capital Corporation, a Rhode Island corporation; Fleet National Bank, formerly known as Bank Boston, N.A.; and SunTrust. Sun Trust is the issuing bank and the Bank Group's agent.

**"Bank Group Agent"** means SunTrust in its capacity as agent for the Bank Group.

**"Bankruptcy Code"** means Title 11 of the United States Code, 11 U.S.C. §§ 101-1330.

**"Bankruptcy Rules"** means the Federal Rules of Bankruptcy Procedure.

**"Business Day"** means a day that is not a Saturday, Sunday, or legal holiday.

**"Claim"** means a claim—as the term "claim" is defined in Bankruptcy Code section 101(5)—against World Bazaars.

**"Claims Litigation"** means any rights to object to, settle, compromise, setoff, or resolve Claims or Interests other than Insider Litigation.

**"Class"** means a group of Claims or Interests as classified in Section IV.

**"Collateral Agreement"** means the Collateral Agreement made by World Bazaars, Inc. in favor of the SKM Equity Fund II, L.P., as Agent, Dated as of October 4, 1999.

**"Committee Expenses"** means fees or expenses that: (a) the Creditors' Committee or its professionals actually incur on or after the Effective Date; (b) relate to or arise from Avoidance Actions or Claims Litigation; and (c) do not exceed the Litigation Fund.

**"Confirmation Date"** means the date on which the Court enters the Confirmation Order on its docket.

**"Confirmation Hearing"** means the hearing regarding Plan confirmation.

**"Confirmation-Hearing Date"** means the first date on which the Court holds the Confirmation Hearing.

**"Confirmation Order"** means the Court order confirming this Plan under Bankruptcy Code section 1129.

**"Continuing Estate"** means the Estate and World Bazaars, as debtor in possession, on and after the Effective Date, as described in Section VI.A.

**"Court"** means the United States Bankruptcy Court for the Central District of California or any other court that exercises jurisdiction over this Liquidation Case.

**"Credit Facility"** means the Credit Agreement between World Bazaars and the Bank Group dated November 3, 1998, as periodically amended and restated.

**"Creditors' Committee"** means the Official Committee of Unsecured Creditors that the U.S. Trustee appointed in this Liquidation Case.

**"Disbursing Agent"** means the disbursing agent selected in accordance with Section VI.B.4. or, if no disbursing agent is selected, the Plan Administration Committee.

**"Disclosure Statement"** refers to the "Second Amended Disclosure Statement Describing Second Amended Chapter-11 Plan Proposed by World Bazaars, Inc. (Dated November 10, 2000)," as it may be amended.

**"Disputed Claim or Interest"** means a Claim or Interest:

- (a) As to which a proof of claim is filed or is deemed filed under Bankruptcy Rule 3003(b)(1) or a proof of interest was filed or deemed filed under Bankruptcy Rule 3003(b)(2); and
- (b) As to which an objection: (1) has been timely filed; and (2) has neither been overruled nor been denied by a Final Order and has not been withdrawn.

**"Effective Date"** has the meaning set forth in Section IX.A.

**"Equipment"** has the meaning set forth in the Term Loan and Collateral Agreement.

**"Equipment Lenders"** means, collectively, the Abulafia Trust; the SKM Equity Fund II, L.P.; and the SKM Investment Fund II, L.P.

**"Equipment Proceeds"** means all cash and other consideration received by World Bazaars on account of the sale of the Equipment.

**"Estate"** means the estate created in this Liquidation Case under Bankruptcy Code section 541.

**"Final Distribution Date"** has the meaning set forth in Section VI.E.1.

**"Final Order"** means an order or judgment of the Court entered on the Court's official docket:

- (a) That has not been reversed, rescinded, stayed, modified, or amended;
- (b) That is in full force and effect; and
- (c) With respect to which: (1) the time to appeal or to seek review, remand, rehearing, or a *writ of certiorari* has expired and as to which no timely filed appeal or petition for review, rehearing, remand, or *writ of certiorari* is pending; or (2) any such an appeal or petition has been dismissed or resolved by the highest court to which the order or judgment was appealed or from which review, rehearing, remand, or a *writ of certiorari* was sought.

**"Free and Clear Assets"** means any Estate asset not encumbered by a valid and unavoidable lien or security interest under the Credit Facility or the Term Loan. These assets include, at a minimum, the following assets as well as cash proceeds arising from the sale of these assets: Avoidance Actions; employee and shareholder advances; premiums due from Princess International LLC to World Bazaars under the Agreement Regarding Extension of Delivery Deadline and Use of Facilities, Systems, and Equipment; vehicles; unearned retainers; and unexpired leases of nonresidential real property.

**"Great American"** means Garcel, Inc., d/b/a Great American Group.

**"Insider"** means an insider—as the term "insider" is defined in Bankruptcy Code section 101(31)—of World Bazaars and includes Hayim Abulafia and the Abulafia Trust.

**"Insider Litigation"** means any claims against World Bazaars' officers and directors or against the Abulafias, including:

- (a) Any claims or rights under:
  - (1) Bankruptcy Code sections 510, 542, 543, 544, 547, 548, 549, 550, 551, 552, and 553;
  - (2) Fraudulent-transfer laws;

- (3) All non-bankruptcy laws vesting in creditors rights to avoid, rescind, or recover on account of transfers, including claims relating to illegal dividends;
  - (4) All preference laws; and
  - (5) The Uniform Fraudulent Transfer Act;
- (b) Any rights to object to, settle, compromise, or resolve Claims or Interests; or
  - (c) Any rights of equitable subordination or disallowance.

**"Insider Litigation Fund"** means the costs and expenses actually furnished by the Bank Group—in an amount not to exceed \$150,000—to fund the Insider Litigation.

**"Insider Recoveries"** means cash or other consideration recovered through prosecution of Insider Litigation; any other litigation or actions against the Abulafias; or any litigation or actions against World Bazaars' directors and officers liability insurance.

**"Interest"** means the interest—as the term "interest" is defined in Bankruptcy Code section 101(17)—of any entity who holds an equity security in World Bazaars.

**"Liquidation Case"** means World Bazaars' voluntary bankruptcy case that is pending in the Court under Chapter 11 of the Bankruptcy Code.

**"Litigation Expenses"** means any fees or expenses that are set forth in the Litigation Budget and that are actually incurred by World Bazaars, the Creditors' Committee, or their professionals in connection with the Avoidance Actions or the Claims Litigation.

**"Litigation Fund"** means the segregated account containing \$500,000 to be used to pursue Postconfirmation Litigation on behalf of, and against, entities holding Allowed Class-6 Claims.

**"Net Avoidance Recoveries"** means all Avoidance Recoveries plus any cash in the Litigation Fund on the Final Distribution Date, net of any offsets or counterclaims attributable to the Avoidance Actions.

**"Net Equipment Proceeds"** means the Equipment Proceeds less all expenses incurred by World Bazaars in relation to the liquidation and sale of the Equipment, including amounts owed to Great American and rent obligations attributable to the liquidation of the Equipment.

**"Net Insider Recoveries"** means Insider Recoveries less the Insider Litigation Fund, all other costs and expenses of the Insider Litigation, and any fees for services rendered by the professionals and consultants involved in pursuing the Insider Recoveries for the Estate.

**"Net Inventory Proceeds"** means all of World Bazaars' cash on hand on the Effective Date or other proceeds of the Bank Group's Collateral other than the Equipment Proceeds, the Litigation Fund, Free and Clear Assets, and any cash placed in the Operating Account in accordance with Section VI.E.

**"Non-Ordinary-Course Administrative Claim"** means any Administrative Claim that is not an Ordinary-Course Administrative Claim, an Administrative Tax Claim, or a Professional-Fee Claim. Non-Ordinary-Course Administrative Claims may include Rejected-Lease Administrative Claims.

**"Operating Account"** means the account established under Section VI.E.

**"Operating Budget"** means a budget for the Continuing Estate's operation that is reasonable; that is agreed upon by World Bazaars, the Creditors' Committee, and the Bank Group; and that designates those expenses that are reasonable and necessary for the Continuing Estate to consummate this Plan, including expenses needed for the

Plan Administration Committee and the Creditors' Committee to pursue litigation in accordance with Section VII, to collect any remaining Estate assets, and to pursue any reasonable Claims Litigation.

**"Ordinary-Course Administrative Claims"** means Administrative Claims—other than Administrative Tax Claims, Professional-Fee Claims, and Non-Ordinary-Course Administrative Claims—based upon liabilities that World Bazaars incurs in the ordinary course of its business and the wind down of its affairs. Ordinary-Course Administrative Claims may include fees or charges assessed against the Estate under 28 U.S.C. § 1930.

**"Other Secured Claims"** means any Secured Claims that are not expressly classified under Sections 0-IV.B.3.

**"Petition Date"** means May 15, 2000.

**"Plan Administration Committee"** means the committee established in accordance with Section VI.B.1 or any successor committee selected in accordance with Section VI.B.2.

**"Plan"** means this "Second Amended Chapter-11 Plan Proposed by World Bazaars, Inc. (Dated November 10, 2000)," as it may be amended.

**"Postconfirmation Litigation"** means all claims reserved under Section VII.A.

**"Postpetition Period"** means the period beginning on the Petition Date and ending on the Effective Date.

**"Priority Claim"** means an Allowed Claim entitled to priority against the Estate under Bankruptcy Code section 507(a)(3), 507(a)(4), or 507(a)(6).

**"Priority Tax Claim"** means an Allowed Claim entitled to priority against the Estate under Bankruptcy Code section 507(a)(8).

**"Professional-Fee Claim"** means:

- (a) A Claim under Bankruptcy Code sections 327, 328, 330, 331, 503, or 1103 for compensation for professional services rendered or expenses incurred on the Estate's behalf; or
- (b) A Claim either under Bankruptcy Code section 503(b)(4) for compensation for professional services rendered or under Bankruptcy Code section 503(b)(3)(D) for expenses incurred in making a substantial contribution to the Estate.

**"Pro Rata"** means proportionately so that the ratio of (a) the amount of consideration distributed on account of an Allowed Claim to (b) the amount of the Allowed Claim is the same as the ratio of (a) the amount of consideration available for distribution on account of all Allowed Claims in the Class in which that Allowed Claim is included to (b) the amount of all Allowed Claims in that Class.

**"Public Auction"** means the public auction of substantially all of the Estate's assets on July 12, 2000.

**"Rejection-Damage Claim"** means an Administrative Claim for rent, other obligations, or damages arising under an unexpired real property or personal-property lease or executory contract that World Bazaars rejects under Bankruptcy Code section 365 or arising from the rejection of such a lease or contract.

**"Secured Claim"** means a Claim that is secured by a valid and unavoidable lien against property in which the Estate has an interest or that is subject to setoff under Bankruptcy Code section 553. A Claim is a Secured Claim only to the extent of the value of the claimholder's interest in the collateral securing the Claim or to the extent of the amount subject to setoff, whichever is applicable, and as determined under Bankruptcy Code section 506(a).

**"SKM"** means Saunders, Karp & Megrue, which manages the SKM Funds.

**"SKM Escrow Account"** means a segregated, interest-bearing account to be maintained by the Continuing Estate as set forth in Sections IV.B.1 and IV.D.2.

**"SKM Funds"** means, collectively, the SKM Equity Fund II, L.P. and the SK Investment Fund, L.P.

**"SKM Lenders"** means, collectively, the SKM Equity Fund II, L.P. and the SKM Investment Fund II, L.P.

**"Stock"** means World Bazaars' issued and outstanding shares of common and preferred stock as of the Petition Date.

**"SunTrust"** means SunTrust Bank, Atlanta.

**"Term Loan"** means the Credit Agreement among World Bazaars, Inc., as borrower and the SKM Equity Fund II, L.P., the SKM Investment Fund II, L.P., and the Abulafia Trust as lenders dated as of October 4, 1999. The SKM Lenders are the agent for the lenders under the Term Loan.

**"Unsecured Claim"** means a Claim that is not an Administrative Claim, a Priority Tax Claim, a Priority Claim, or a Secured Claim.

**"U.S. Trustee"** means the Office of the United States Trustee.

**"WARN Act"** means 29 U.S.C. §§ 2101 *et. seq.*, commonly known as the Worker Adjustment and Retraining Notification Act.

**"WARN Act Claims"** means all claims asserting that claimants are entitled to recover damages from World Bazaars for alleged violations of the WARN Act. These Claims include claims asserted by Diane Barbosa, Latiffa William, Jean Sharon Becker, Sherry R. Spratt, Connie C. Jamieson, Nancy Berundage, Jerilyn Crain, and Patricia Carbajal, both individually and as asserted representatives of a class of claimants consisting of former employees whose employment was terminated by World Bazaars in or about May 2000 and who allegedly did not receive advance written notice of their termination.

**"World Bazaars"** means World Bazaars, Inc., a California corporation.

## II.

### RULES OF INTERPRETATION

1. The rules of construction in Bankruptcy Code section 102 apply to this Plan.
2. Except as otherwise provided in the Plan, Bankruptcy Rule 9006(a) applies when computing any time period under the Plan.
3. A term that is used in this Plan and that is not defined in this Plan has the meaning attributed to that term, if any, in the Bankruptcy Code or the Bankruptcy Rules.
4. The definition given to any term or provision in the Plan supercedes and controls any different meaning that may be given to that term or provision in the Disclosure Statement.
5. Whenever it is appropriate from the context, each term, whether stated in the singular or the plural, includes both the singular and the plural.
6. Any reference to a document or instrument being in a particular form or on particular terms means that the document or instrument will be substantially in that form or on those terms. No material change to the form or terms may be made after the Confirmation Date without the consent of any party materially affected.

7. Any reference to an existing document means the document as it has been, or may be, amended or supplemented.

8. Unless otherwise indicated, the phrase "under the Plan" and similar words or phrases refer to this Plan in its entirety rather than to only a portion of the Plan.

9. Unless otherwise specified, all references to Sections or Exhibits are references to this Plan's Sections or Exhibits.

10. Section captions and headings are used only as convenient references and do not affect this Plan's meaning.

### III.

#### PLAN OBJECTIVES

The Plan's objective is to distribute World Bazaars' assets in satisfaction of the company's obligations. The Plan divides creditors and shareholders into Classes based on their legal rights and interests and provides for the satisfaction of Claims from World Bazaars' assets. World Bazaars' shareholders will not receive and retain anything on account of their Interests.

### IV.

#### CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

This Section classifies Claims—except for Administrative Claims and Priority Tax Claims, which are not classified—for all purposes, including voting, confirmation, and distribution under the Plan. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest falls within the Class description. To the extent that part of the Claim or Interest falls within a different Class description, the Claim or Interest is classified in that different Class. The following table summarizes the Classes of Claims and Interests under this Plan.

<b>CLASS</b>	<b>DESCRIPTION</b>	<b>IMPAIRED/ UNIMPAIRED</b>	<b>VOTING STATUS</b>
None	Administrative Claims and Priority Tax Claims	Unimpaired	Deemed to Accept
Class 1	Bank Group's Secured Claims under the Credit Facility	Impaired	Voting
Class 2	The SKM Lenders' Secured Claims under the Term Loan	Impaired	Voting
Class 3	The Abulafia Trust's Secured Claims under the Term Loan	Impaired	Deemed to Reject
Class 4	Other Secured Claims	Unimpaired	Deemed to Accept
Class 5	Priority Claims	Unimpaired	Deemed to Accept
Class 6	General Unsecured Claims	Impaired	Voting
Class 7	The SKM Lenders' Unsecured Claims	Impaired	Voting

CLASS	DESCRIPTION	IMPAIRED/ UNIMPAIRED	VOTING STATUS
Class 8	The Abulafia Trust's Unsecured Claims	Impaired	Deemed to Reject
Class 9	The WARN Act Claims	Impaired	Voting
Class 10	Interests	Impaired	Deemed to Reject

The treatment in this Plan is in full and complete satisfaction of the legal, contractual, and equitable rights that each entity holding an Allowed Claim or an Allowed Interest may have in or against World Bazaars or its property. This treatment supercedes and replaces any agreements or rights those entities have in or against World Bazaars or its property. All distributions under the Plan will be tendered to the entity holding the Allowed Claim. **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM THAT IS NOT AN ALLOWED CLAIM.** Notwithstanding any agreement to the contrary to which World Bazaars is a party (including any prepetition intercreditor or subordination agreements, which will be cancelled and of no force or effect as of the Effective Date), any lien securing a Secured Claim will be void as of the Effective Date.

**A. Allowance and Treatment of Unclassified Claims (Administrative Claims and Priority Tax Claims).**

Entities that hold Administrative Claims other than Ordinary-Course Administrative Claims and that do not timely file and serve a proof of claim or a motion seeking payment in accordance with this Section will be forever barred from asserting those Administrative Claims against World Bazaars, its Estate, the Continuing Estate, or its property.

**1. Administrative Claims.**

**Allowance of Ordinary-Course Administrative Claims:** Unless World Bazaars objects to an Ordinary-Course Administrative Claim, the Claim will be allowed in accordance with the terms and conditions of the particular transaction that gave rise to the Claim, and the entity holding the Ordinary-Course Administrative Claim need not file any request for payment of its Claim.

**Allowance of Non-Ordinary Course Administrative Claims:** A Non-Ordinary-Course Administrative Claim will be allowed only if, on or before the following deadlines, the entity holding the Claim both files with the Court a motion requesting that World Bazaars pay the Claim and serves the motion on World Bazaars, its bankruptcy counsel, and the Plan Administration Committee:

- (a) For Claims arising on or before October 31, 2000, this motion must be filed and served on or before December 31, 2000; and
- (b) For Claims arising after October 31, 2000 and on or before the Effective Date, this motion must be filed and served on or before 60 days after the Effective Date.

**Allowance of Professional-Fee Claims:** A Professional-Fee Claim will be allowed only if:

- (a) On or before 60 days after the Effective Date, the entity holding the Claim both files with the Court a motion requesting that World Bazaars pay the Claim and serves the motion on World Bazaars, its bankruptcy counsel, and the Plan Administration Committee; and
- (b) The Court, in a Final Order, allows the Claim.

**Allowance of Administrative Tax Claims:** An Administrative Tax Claim will be allowed only if:

- (a) On or before the later of: (1) 60 days after the Effective Date; or (2) 120 days after World Bazaars files the tax return for the underlying taxes with the applicable government unit, the entity holding the Administrative Tax Claim both files with the Court either a proof of claim or a motion requesting that World Bazaars pay the Administrative Tax Claim and serves the proof of claim or motion on World Bazaars, its bankruptcy counsel, and the Plan Administration Committee; and
- (b) The Court, in a Final Order, allows the Administrative Tax Claim.

**Treatment of Allowed Administrative Claims:**

Unless the entity holding an Allowed Administrative Claim and World Bazaars agree otherwise, the Disbursing Agent will pay to that entity cash in the Allowed Administrative Claim's full amount, without interest, on or before the later of: (a) as soon as practicable after the Effective Date; (b) 30 days after the date on which the Administrative Claim becomes an Allowed Administrative Claim; or (c) the date on which the Allowed Administrative Claim becomes due and payable.

**2. Treatment of Priority Tax Claims.**

Unless the entity holding an Allowed Priority Tax Claim and World Bazaars agree otherwise, the Disbursing Agent will pay that entity in full, in cash—without premium or penalty of any kind—as soon as practicable after the Effective Date.

**B. Classification and Treatment of Secured Claims (Classes 1, 2, 3, and 4).**

**1. Class 1 (Bank Group's Secured Claims Under the Credit Facility)**

**Classification:** Class 1 consists of the Bank Group's Secured Claims under the Credit Facility.

**Treatment:** As discussed in the Disclosure Statement, before the Effective Date the Bank Group will have already received a \$10 million, irrevocable, interim distribution on account of its Allowed Class-1 Claim. In addition, within seven days after the Effective Date, the Disbursing Agent will distribute to the Bank Group the Net Inventory Proceeds less any amounts needed to establish the Litigation Fund discussed below. This treatment will be in full satisfaction of the Bank Group's Allowed Class-1 Claim.

As discussed in the Disclosure Statement, World Bazaars has already placed \$312,500 of the Bank Group's Cash Collateral into a Litigation Fund. As soon as practicable after the Effective Date, the Disbursing Agent will transfer an additional \$187,500 of the Bank Group's Cash Collateral into the Litigation Fund. The Bank Group, by its vote to accept this Plan, consents to make its Cash Collateral available for this purpose in lieu of receiving a distribution of these funds on account of its Allowed Class-1 Claim, and the Bank Group agrees that the transferred funds will constitute Free and Clear Assets and that the transfer will be free and clear of any claims or interests of the Bank Group. The Litigation Fund is established for the benefit of entities holding allowed Class-6 Claims, and it may be used by the Creditors' Committee as set forth in Section VII.A.1.

**1. Class 2 (SKM Lenders' Secured Claims Under the Term Loan).**

**Classification:** Class 2 consists of the SKM Lenders' Secured Claims under the Term Loan.

**Treatment:** As discussed in the Disclosure Statement, before the Effective Date the SKM Lenders will likely have already received on account of their Allowed Class-2 Claims an irrevocable, interim distribution in the amount of five-eighths of their 69.2% share of the Net Equipment Proceeds. As soon as practicable after the Effective Date—subject to the following paragraph—the SKM Equity Fund II, L.P. will receive three-eighths of 67.5% of the Net Equipment Proceeds, and the SKM Investment Fund II, L.P. will receive three-eighths of 1.7% of the Net Equipment Proceeds. (If no interim distributions are made, the SKM Lenders will receive their entire 69.2% share of the Net Equipment Proceeds). This treatment will be in full satisfaction of the SKM Lenders' Allowed Class-2 Claims.

All distributions under the Plan on account of the SKM Lenders' allowed Class-2 Claims will be placed into the SKM Escrow Account. These distributions will remain in the SKM Escrow Account pending resolution of all Insider Litigation against the SKM Lenders and any other claims that World Bazaars or the Estate may have asserted against the SKM Lenders.<sup>1</sup> On or before the Final Distribution Date, the funds in the SKM Escrow Account will either be transferred to the Operating Account for the benefit of the Continuing Estate in accordance with a Final Order or they will be distributed to the SKM Lenders.

If World Bazaars, the Bank Group, or the Creditors' Committee do not file a complaint, commence an adversary proceeding, or file a motion asserting claims against the SKM Funds, the SKM Lenders, or those of World Bazaars' directors who are also principals of the SKM Funds or the SKM Lenders on or before ten days before the deadline for filing and serving objections to Plan confirmation, then the Bank Group, World Bazaars, the Estate, the Bank Group, and the Creditors' Committee will be deemed to have waived any claims, rights, or causes of action that they may have against the SKM Funds, the SKM Lenders, and those directors who are also principals of the SKM Funds or the SKM Lenders and all Insider Litigation against the SKM Lenders and any other claims that World Bazaars or the Estate may have against the SKM Lenders will be deemed to be fully resolved.

## **2. Class 3 (Abulafia Trust's Claims Under the Term Loan).**

**Classification:** Class 3 consists of the Abulafia Trust's Secured Claims under the Term Loan.

**Treatment:** As permitted by Bankruptcy Code section 510(c), the Abulafia Trust's Class-3 Claims will be equitably subordinated under the Plan to all other Allowed Claims, and any lien securing the Class-3 Claims will be transferred to the Estate under Bankruptcy Code 501(c)(2) such that the distribution that the Abulafia Trust would otherwise be entitled to on account of its Secured Claims will be treated as an Insider Recovery to be distributed to nonsubordinated Claims under the Plan. As a result of this subordination, Class 3 will not receive any consideration unless and until all Allowed Claims in Classes 1, 2, 4, 5, 6, 7, and 9 are paid in full. At any time until and including ten days before the Confirmation Date, World Bazaars may—with the consent of the Bank Group and the Creditors' Committee—elect to withdraw or defer its request to equitably subordinate the Class-3 Claims in conjunction with Plan confirmation, without prejudice as to any of its rights, including its rights to seek the equitable subordination of the Class-3 Claims in a separate proceeding before or after Plan confirmation. No later than 10 days before the Confirmation Hearing, World Bazaars will file a notice with this Court advising the Court as to whether World Bazaars will seek to equitably subordinate Class 3 under the Plan, and this notice will be served on the Abulafia Trust.

If this Court considers World Bazaars' request to equitably subordinate the Abulafia Claims in connection with the Confirmation Hearing, and if the Court, through a Final Order, resolves this request against World Bazaars on the merits either at or before the Confirmation Hearing, then World Bazaars may not bring the equitable subordination action after the Confirmation Hearing. In the absence of such an adverse ruling, any decision by World Bazaars to defer or withdraw its request for equitable subordination is without prejudice to the Estate's right to seek equitable subordination of the Abulafia Claims after the Confirmation Hearing.

If this Court does approve the equitable subordination of the Abulafia Trust's Allowed Class-3 Claims, then the Abulafia Trust will receive no distributions on account of its Allowed Class-3 Claims unless and until all Class 1, 2, 4, 5, 6, 7, and 9 Claims have been satisfied in full, at which time the Abulafia Trust will be entitled to receive distributions, not to exceed the amount of its Allowed Class-3 Claims, solely from any recoveries attributable to Postconfirmation Litigation as to which the Abulafias are not defendants.

If this Court does not authorize the equitable subordination of the Abulafia Trust's Class-3 Claims under the Plan—or if World Bazaars elects to withdraw or defer its request for equitable subordination without prejudice—then Class 3 will receive, as soon as practicable after the Effective Date, 30.8% of the Net Equipment Proceeds (subject to the Estate's right to assert equitable subordination claims or any other claims). However, all distributions under the Plan on account of the Abulafia Trust's allowed Class-3 Claims will be placed into the Abulafia Escrow Account pending resolution of all Insider Litigation against the Abulafias and any other claims that World Bazaars or the Estate may have against the

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<sup>1</sup> See Section VI.E.3 (Setoff and Recoupment).

Abulafias. On or before the Final Distribution Date, the funds in the Abulafia Escrow Account will either be transferred to the Operating Account for the benefit of the Estate in accordance with a Final Order or they will be distributed to the Abulafias. This treatment will be in full satisfaction of the Abulafia Trust's Allowed Class-3 Claims.

**3. Class 4 (Other Secured Claims).**

**Classification:** Class 4 consists of all Other Secured Claims.

**Treatment:** As soon as practicable after the Effective Date, each entity holding an Allowed Class-4 Claim will receive one of the following treatments in full satisfaction of its Allowed Class-4 Claim:

- (a) The Disbursing Agent will convey to the entity holding the Claim the collateral in which that entity has a security interest; or
- (b) The Disbursing Agent will pay to the entity holding the Claim cash in the amount of that entity's Allowed Class-4 Claim.

World Bazaars may, in its sole discretion, select which of these treatments each entity holding an Allowed Class-4 Claim will receive. If, by ten days before the Confirmation-Hearing Date, World Bazaars has not notified an entity of the treatment that World Bazaars has selected for that entity's Allowed Class-4 Claim, then World Bazaars will be deemed to have selected the treatment set forth in Subparagraph (a).

**C. Classification and Treatment of Priority Claims (Class 5).**

**Classification:** Class 5 consists of all Priority Claims other than Priority Tax Claims.

**Treatment:** As soon as practicable after the Effective Date, the Disbursing Agent will pay to each entity holding an Allowed Class-5 Claim cash equal to the amount of the Allowed Class-5 Claim, without interest.

**D. Classification of General Unsecured Claims and SKM Lenders' Unsecured Claims (Classes 6 and 7).**

**1. Class 6 (General Unsecured Claims).**

Class 6 consists of all Unsecured Claims other than Claims classified in Classes 7, 8, or 9.

**2. Class 7 (The SKM Lenders' Unsecured Claims).**

Class 7 consists of all Unsecured Claims held by the SKM Lenders, including any deficiency Claims arising from the Term Loan.

**E. Treatment of General Unsecured Claims and SKM Lenders' Unsecured Claims (Classes 6 and 7).**

Subject to the following paragraph, on or before the Final Distribution Date, entities holding Allowed Claims in Class 6 and 7 will receive the following treatment:

- (a) The Net Insider Recoveries will be distributed as follows:
  - (1) The first \$500,000 of Net Insider Recoveries will be distributed to Classes 6 and 7 such that the Bank Group receives 50% of these distributions on account of its Allowed Class-6 Claim and 50% of these distributions are made *Pro Rata* to all other entities holding Allowed Claims in Classes 6 and 7; and
  - (2) Any Insider Recoveries exceeding \$500,000 will be distributed *Pro Rata* to entities holding Allowed Claims in Classes 6 and 7;

- (b) The Net Avoidance Recoveries and any cash remaining in the Litigation Fund will be distributed *Pro Rata*—without taking into consideration any other distributions under the Plan—to entities holding Allowed Claims in Classes 6 and 7, subject to any dilution that results when Avoidance Recoveries, if any, increase the aggregate amount of Allowed Claims in Classes 6 and 7, except that, by its vote to accept the Plan, the Bank Group agrees that any distributions from Net Avoidance Recoveries and that would otherwise have been made to the Bank Group on account of its unsecured deficiency Claim will be distributed *Pro Rata* to all Class-6 creditors other than the Bank Group;
- (c) Any other cash on hand or assets, if any, will be distributed as follows:
  - (1) The first \$500,000 will be distributed to Classes 6 and 7 such that the Bank Group receives 50% of these distributions on account of its Allowed Class-6 Claim and 50% of these distributions are made *Pro Rata*—without taking into account any other distributions under the Plan—to all other entities holding Allowed Claims in Classes 6 and 7; and
  - (2) Any remaining cash will be distributed *Pro Rata* to entities holding Allowed Claims in Classes 6 and 7.

Notwithstanding anything to the contrary in this Plan, unless all claims against the SKM Lenders have been waived or released, any distributions made before the Final Distribution Date under this Section on account of Allowed Class-7 Claims will be placed into the SKM Escrow Account. These distributions will remain in the SKM Escrow Account pending resolution of all Insider Litigation against the SKM Lenders and any other claims that World Bazaars or the Estate may have against the SKM Lenders. On or before the Final Distribution Date, the funds in the SKM Escrow Account and any distributions to be made under this Section will either be transferred to the Operating Account for the benefit of the Estate in accordance with a Final Order or will be distributed to the SKM Lenders.<sup>2</sup>

#### **F. Classification and Treatment of the Abulafias' Unsecured Claims (Class 8).**

**Classification:** Class 8 consists of all Unsecured Claims held by the Abulafias, including any deficiency Claims arising under the Term Loan.

**Treatment:** As permitted by Bankruptcy Code section 510(c), the Abulafias' Class-8 Claims will be equitably subordinated under the Plan to all other Allowed Claims. As a result of this subordination, Class 8 will not receive any consideration unless and until all Allowed Class 1, 2, 4, 5, 6, 7, and 9 Claims are paid in full. World Bazaars may—subject to approval by the Bank Group and the Creditors' Committee—at any time until and including 10 days before the Confirmation Hearing, elect to withdraw or defer its request to equitably subordinate the Class-8 Claims in conjunction with Plan confirmation, without prejudice as to any of its rights, including its rights to seek the equitable subordination of the Class-8 Claims in a separate proceeding before or after confirmation of the Plan. No later than 10 days before the Confirmation Hearing, World Bazaars will file a notice with this Court advising the Court as to whether World Bazaars will seek to equitably subordinate Class 8 under the Plan, and this notice will be served on the Abulafias.

If this Court considers World Bazaars' request to equitably subordinate the Abulafia Claims in connection with the Confirmation Hearing, and if the Court, through a Final Order, resolves this request against World Bazaars on the merits either at or before the Confirmation Hearing, then World Bazaars may not bring the equitable subordination action after the Confirmation Hearing. In the absence of such an adverse ruling, any decision by World Bazaars to defer or withdraw its request for equitable subordination is without prejudice to the Estate's right to seek equitable subordination of the Abulafia Claims after the Confirmation Hearing.

If this Court does approve the equitable subordination of the Abulafias' Allowed Class-8 Claims, then the Abulafias will receive no distributions on account of their Allowed Class-8 Claims unless and until all Class 1, 2, 4, 5, 6, 7, and 9 Claims have been satisfied in full, at which time the Abulafias will be entitled to receive distributions, not to exceed

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<sup>2</sup> See Section VI.E.3 (Setoff and Recoupment).

the amount of their Allowed Class-8 Claims, solely from any recoveries attributable to Postconfirmation Litigation as to which the Abulafias are not defendants.

If this Court does not authorize the equitable subordination of the Abulafias' Claims under the Plan—or if World Bazaars elects to withdraw or defer its request for equitable subordination without prejudice—then Class 8 will receive the same treatment as Class 7 (subject to the Estate's right to assert equitable subordination claims or any other claims), but all distributions under the Plan on account of the Abulafias' Allowed Class-8 Claims will be placed into the Abulafia Escrow Account. These distributions will remain in the Abulafia Escrow Account pending the resolution of the Insider Litigation against the Abulafias as well as any other claims that World Bazaars or the Estate may have against the Abulafias. On or before the Final Distribution Date, the funds in the Abulafia Escrow Account will either be transferred to the Operating Account for the benefit of the Estate in accordance with a Final Order or they will be distributed to the Abulafias.

**G. Classification and Treatment of the WARN Act Claims (Class 9).**

**Classification:** Class 9 consists of all WARN Act Claims asserted against World Bazaars.

**Treatment:** A settlement proposal is currently being finalized. If approved, the WARN Act Claimants are expected to receive claims totaling roughly \$130,000 on account of their class action Claim. (Of this amount, roughly one-third will be allocated to counsel for the class-action claimants as an Administrative Claim and two-thirds will be allocated to Claims in Class 5). If this settlement is not finalized or approved, then the WARN Act claimants will receive the treatment set forth below. Before the confirmation of the Plan, World Bazaars intends to file a counterclaim for declaratory relief and equitable subordination of the Class-9 Claims asserted in the adversary proceeding initiated by the WARN Act claimants. The counterclaim will seek to declare that any amounts due the WARN Act claimants would, in a Chapter 7 case, be "damages [that] are not compensation for actual pecuniary loss," such that they would be subordinate to the claims of general unsecured creditors to the extent that these Claims may constitute statutory penalties rather than compensatory damages pursuant to Bankruptcy Code section 726(a)(4). The counterclaim will also seek to subordinate the WARN Act Claims in accordance with Bankruptcy Code section 510(c). If the Class-9 Claims are allowed and the counterclaims are successful, in whole or in part, then that portion of the Class-9 Claims that constitutes compensation in excess of actual pecuniary loss will be subordinated to all other Allowed Claims other than any Class-3 or Class-8 Claims. As a result of this subordination, the WARN Act claimants will not receive any consideration on account of the subordinated Class-9 Claims unless and until all Allowed Claims other than Class-3 and Class-8 Claims are paid in full. If the Court does not authorize the subordination of the WARN Act Claims, then these Claims, if allowed, will nevertheless continue to be separately classified in Class-9 to the extent that they constitute general, Unsecured Claims for statutory damages. In this event, in accordance with this Court's order allowing the WARN Act Claims, the WARN Act Claims will be deemed either to be Priority Claims in Class 5 or to be Unsecured Claims in Class-9. Entities holding any allowed Class-9 Claims that are not subordinated will receive no consideration on account of their Class-9 Claims except to the extent that these Claims are claims for actual damages, to which extent the Claims will be deemed to be Class-7 Claims.

**H. Classification and Treatment of Interests (Class 10).**

**Classification:** Class 10 consists of all Interests.

**Treatment:** Allowed Class-10 Interests will receive and retain no value under the Plan, and all Allowed Class-10 Interests will be cancelled on the Effective Date, without payment of any consideration.

**V.**

**EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**A. Rejection of Executory Contracts and Unexpired Leases.**

On the Effective Date, World Bazaars will reject any and all agreements that it executed before the Petition Date—except for any agreements that were previously assumed or rejected either by a Final Order or under Bankruptcy Code section 365—to the extent that these agreements constitute executory contracts or unexpired leases under Bankruptcy Code section 365. The Confirmation Order will constitute a Court order approving this rejection.

The agreements to be rejected under this Section include, without limitation, all executory contracts and unexpired leases listed on the attached Schedule of Rejected Agreements.<sup>3</sup> (Listing an agreement on the Schedule of Rejected Agreements is not an admission that the agreement is an executory contract or unexpired lease or that World Bazaars has any liability under the agreement.) World Bazaars reserves the right to amend the Schedule of Rejected Agreements at any time before the Confirmation Hearing to: (a) delete any agreement; or (b) add any executory contract or unexpired lease and provide for its rejection under this Section. World Bazaars will provide notice of any amendment to the Schedule of Rejected Agreements to each entity affected by the amendment.

**B. Bar Date for Rejection-Damage Claims.**

Any Rejection-Damage Claim arising from rejection under the Plan of an executory contract or unexpired lease must be filed with the Court and served on World Bazaars, its bankruptcy counsel, and the Plan Administration Committee within 30 days after the Effective Date. Any Rejection-Damage Claims that are not timely filed and served will be forever barred and unenforceable against World Bazaars, its Estate, and its property, and the entities holding these Claims will be barred from receiving any distributions under the Plan on account of their Rejection-Damage Claims.

**C. Postpetition Contracts and Leases.**

Except as expressly provided in the Plan or the Confirmation Order, all contracts, leases, and other agreements that World Bazaars entered into after the Petition Date will remain in full force and effect after the Effective Date.

**VI.**

**PLAN IMPLEMENTATION**

**A. Continuation of the Estate.**

The Estate will continue in existence after the Effective Date as the Continuing Estate. The Continuing Estate will hold title to all of the Estate's assets as well as any property acquired after the Effective Date that would otherwise become Estate property under Bankruptcy Code section 541. The Continuing Estate will hold its assets solely for the benefit of entities who are entitled under the Plan to receive that property or the net proceeds from the liquidation of that property.

The Plan Administration Committee will be the Continuing Estate's principal agent for managing, administering, liquidating, and disbursing its assets and, subject to this Court's jurisdiction, will exercise all of the powers and duties set forth in this Plan. The Creditors' Committee will be the Continuing Estate's agent for liquidating the Avoidance Actions and managing the Claims Litigation and, subject to this Court's jurisdiction, will exercise the powers and duties authorized under this Plan. No entity other than an entity entitled to receive a payment or distribution under this Plan will have any recourse against World Bazaars, its Estate, the Continuing Estate, the Plan Administration Committee, or the Creditors' Committee.

All assets held by the Continuing Estate pending distribution will be invested only in investments authorized under Bankruptcy Code section 345 at the highest practicable interest rate consistent with prudent business practice, and all accrued interest will be distributed in accordance with this Plan.

**B. Post-Confirmation Management.**

**1. Appointment of the Plan Administration Committee.**

Consistent with Bankruptcy Code section 1123(a)(7), on the Effective Date, World Bazaars' existing Board of Directors and officers will be replaced by the Plan Administration Committee. The Plan Administration Commit-

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<sup>3</sup> See Exhibit 1.

tee will consist of the Bank Group Agent and Richard Havel, as counsel for the Creditors' Committee. No member of the Plan Administration Committee will receive any compensation from the Continuing Estate for services rendered. The Plan Administration Committee will be the sole entity responsible for managing and administering the Continuing Estate's assets and carrying out the provisions contained in this Plan from and after the Effective Date. The Plan Administration Committee will take actions based on unanimous vote. The Court will retain jurisdiction to resolve any disputes between the Plan Administration Committee members. The Plan Administration Committee may be removed solely in accordance with Section VI.B.2.

## **2. Removal of the Plan Administration Committee and Selection of a New Plan Administration Committee.**

The Plan Administration Committee will serve until the earliest of: (a) the entry of a Final Order closing this Liquidation Case; (b) the replacement of the Plan Administration Committee by order of the Bankruptcy Court; or (c) the dismissal of this Liquidation Case. The Bankruptcy Court will resolve any dispute under this Section.

Subject to the following restrictions, the Creditors' Committee and the Bank Group may terminate their respective representatives on the Plan Administration Committee with or without cause, and either member of the Plan Administration Committee may resign with or without cause. If a Plan Administration Committee member resigns or is terminated, the Creditors' Committee or the Bank Group, respectively, may select a successor representative. If a Plan Administration Committee member resigns or is terminated, that resignation or termination will not be effective until: (a) the Creditors' Committee or the Bank Group, respectively, has selected a successor representative or the Plan Administration Committee has been dissolved; and (b) the Creditors' Committee, the Bank Group, or the Plan Administration Committee member has filed with the Court, and served on the U.S. Trustee, a notice indicating that the Plan Administration Committee member has resigned or been terminated and indicating either who the successor member will be or indicating that the Plan Administration Committee has been dissolved. All actions by the Creditors' Committee under this Section should be made by majority vote.

## **3. Powers and Duties of the Plan Administration Committee.**

Commencing on the Effective Date, World Bazaars and the Continuing Estate will conduct no business, and their sole purpose will be to wind up their affairs in accordance with applicable law and this Plan. The Plan Administration Committee—as the representative of the Continuing Estate—will manage and administer the Continuing Estate's assets solely for the benefit of entities holding Allowed Unsecured Claims. From and after the Effective Date, the Plan Administration Committee is authorized to take any action reasonable and necessary to implement this Plan and to wind up the Continuing Estate. The Plan Administration Committee may take such actions without further supervision of this Court or the U.S. Trustee and free of any restrictions imposed by the Bankruptcy Code, the Bankruptcy Rules, or the Guidelines of the Office of the United States Trustee other than those restrictions that the Plan or Confirmation Order expressly impose on the Continuing Estate or the Plan Administration Committee.

In particular, the Plan Administration Committee will liquidate and reduce to cash all assets of the Continuing Estate as expeditiously as possible and in a manner consistent with the realization of fair value of those assets. The powers and duties of the Plan Administration Committee will include all of the powers and duties of a chapter-11 trustee (as specified in Bankruptcy Code section 1106), and the members of the Plan Administration Committee will serve as, and have all the powers of, officers and directors of World Bazaars. To this end, the Plan Administration Committee may:

- (a) Commence or continue litigation, arbitration, and other dispute resolution procedures—including turnover actions and avoiding actions under the Bankruptcy Code or other applicable law—to realize upon Postconfirmation Litigation other than Avoidance Actions or Claims Litigation and settle, compromise, or litigate to judgment any Postconfirmation Litigation other than Avoidance Actions or Claims Litigation; and
- (b) Collect, sell, lease, or otherwise dispose of tangible and intangible assets of the Continuing Estate;
- (c) File tax returns and obtain determinations of tax liabilities from taxing authorities;

- (d) Take any other actions contemplated under this Plan or otherwise reasonable and necessary to consummate this Plan.

In addition, the Plan Administration Committee must comply with all withholding and reporting requirements imposed on it by taxing authorities and governmental units and with the Continuing Estate's obligations to pay U.S. Trustee's quarterly fees under 28 U.S.C. § 1930(a)(6). In order to permit the U.S. Trustee properly to calculate any fees owed under 28 U.S.C. § 1930(a)(6), the Plan Administration Committee should file quarterly Interim Statements with the U.S. Trustee. Moreover, on or before the time of any hearing to dismiss or close this Liquidation Case, the Plan Administration Committee should file with the Court a report summarizing all distributions made and expenses incurred under the Plan.

The Plan Administration Committee and its members may not:

- (a) Take any action that is inconsistent with this Plan; or
- (b) Conduct any business after the Effective Date other than winding down the Continuing Estate in accordance with applicable law and this Plan.

The Plan Administration Committee may designate one of its members as the plan administrator and may delegate any of its powers and duties to the plan administrator and provide the plan administrator with complete authority to carry out any of the powers or duties so delegated. If a plan administrator is selected, then any reference in this Plan to the Plan Administration Committee will be deemed to include the plan administrator. If the Plan Administration Committee is dissolved, then the plan administrator's powers and duties will automatically be revoked.

#### **4. The Disbursing Agent.**

The Plan Administration Committee may select a Disbursing Agent to carry out the administrative functions needed to implement the distributions required under this Plan. For example, the Disbursing Agent may create and maintain a claims database, write and send checks, or respond to inquiries regarding distributions. The Disbursing Agent may be employed without Court authorization, but the Disbursing Agent's compensation must be consistent with the Operating Budget. If the Plan Administration Committee is dissolved, then the Disbursing Agent's powers and duties will automatically be revoked.

#### **5. Employment of Professionals.**

Periodically after the Confirmation Date, the Plan Administration Committee may employ persons or professionals reasonably necessary to assist it in performing its duties under this Plan. The Plan Administration Committee may employ these persons or professionals without Court authorization, but their employment must be consistent with the Operating Budget and the provisions in Section IV.A.1 regarding professional fees and expenses.

#### **C. Post-Effective-Date Operating and Litigation Expenses.**

Commencing on the Effective Date, the Continuing Estate, through the Plan Administration Committee, may, in the ordinary course of business, incur and pay any of the expenses set forth in the Operating Budget. But the Continuing Estate may neither incur nor pay any expenses or fees that are not set forth in the Operating Budget. Before the Effective Date, the Operating Budget may be amended by written agreement among World Bazaars, the Creditors' Committee, and the Bank Group. After the Effective Date, the Operating Budget may be amended by the Plan Administration Committee in its sole discretion. A true and correct copy of any amended Operating Budget will be promptly filed with this Court. World Bazaars, the Bank Group, the Creditors' Committee, and the Plan Administration Committee may not unreasonably withhold approval of, or require, any expenditure or amendment. Any dispute regarding the Operating Budget will be resolved by the Bankruptcy Court.

To receive reimbursement for Committee Expenses to be paid from the Litigation Fund, the Creditors' Committee should provide to the Plan Administration Committee a copy of an invoice requesting payment. The Plan Administration Committee must, within five Business Days after receiving the invoice, provide the Creditors' Committee with both a written statement either approving or disputing the invoice and prompt payment of any undisputed fees and ex-

penses. If the Creditors' Committee receives a timely objection, then the parties will exercise their best efforts to resolve the dispute. Failing a timely, consensual resolution, the parties may present the dispute to this Court for resolution.

**D. The Source of Distributions.**

The sources of all distributions and payments under this Plan are the Net Inventory Proceeds, the Net Equipment Proceeds, the Postconfirmation Litigation, cash on hand, and any cash proceeds from the liquidation of the Estate's remaining assets.

**E. Distribution of Property Under the Plan.**

On the Effective Date, the Disbursing Agent will transfer to the Operating Account an amount at least equal to the aggregate Operating Budget. If practicable, the Operating Account will be maintained in an interest-bearing account with all interest being credited to the Operating Account. Except as otherwise provided in this Plan, any proceeds that are received by World Bazaars after the Effective Date will be promptly placed into the Operating Account.

**1. Timing of Distributions.**

All Administrative Claims and Priority Tax Claims will be paid in cash as soon as practicable after the Effective Date. World Bazaars has already made, or likely soon will make, interim distributions to the Bank Group and the SKM Lenders on account of their Allowed Class-1 and Class-2 Claims. The remaining distributions to Secured Lenders will be made as soon as practicable after the Effective Date.

The Plan Administration Committee may, in its sole discretion, direct the Disbursing Agent to make one or more interim distributions to entities holding Allowed Claims in Classes 6 and 7, and possibly Class 8. (The Class-7 and Class-8 distributions, however, are subject to escrow as discussed above.) The Plan Administration Committee will also select a Final Distribution Date as soon as practicable after it determines that the following events, which are preconditions to final distributions in this Liquidation Case, have occurred:

- (a) All of the Estate's assets have been liquidated and reduced to cash;
- (b) The Creditors' Committee has notified World Bazaars in writing that all Avoidance Actions have either been liquidated and reduced to cash or abandoned;
- (c) The Creditors' Committee has notified the Plan Administration Committee in writing that all Claims Litigation has been completed, all Disputed Claims either have become Allowed Claims or have been disallowed by a Final Order, and no further Claims Litigation will be pursued;
- (d) All other Postconfirmation Litigation, including the Insider Litigation, has been either liquidated and reduced to cash or abandoned;
- (e) All Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Claims in Classes 1, 2, 3, 4, and 5 plus all related interest, fees, and costs to be paid under the Plan have been satisfied in full according to the terms of this Plan; and
- (f) All expenses incurred by the Continuing Estate are paid or satisfied in full according to this Plan's terms.

The Plan Administration Committee will file a notice of the occurrence of the Final Distribution Date no later than 30 days before the proposed Final Distribution Date. This notice should be served on the Creditors' Committee, the U.S. Trustee, and any parties entitled to special notice in this Liquidation Case. On the Final Distribution Date, the Disbursing Agent will distribute the Net Avoidance Recoveries, the Insider Recoveries, and any cash on hand to Classes 6 and 7, and possibly Class 8, as set forth in Section IV.E.

## **2. Manner of Cash Payments.**

Cash payments to domestic entities holding Allowed Claims will be denominated in U.S. dollars and will be made by checks drawn on a domestic bank selected by the Disbursing Agent or, at the Disbursing Agent's option, by wire transfer from a domestic bank. Cash payments to foreign entities holding Allowed Claims may be paid, at the Disbursing Agent's option, either in the same manner as payments to domestic entities or in any funds and by any means that are necessary or customary in the particular foreign jurisdiction.

## **3. Setoff and Recoupment.**

**NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, THE CONTINUING ESTATE MAY SET OFF, RECOUP, OR WITHHOLD AGAINST THE DISTRIBUTIONS TO BE MADE ON ACCOUNT OF ANY ALLOWED CLAIM OR ALLOWED INTEREST—INCLUDING ANY DISTRIBUTIONS TO THE SKM LENDERS OR THE ABULAFIAS, ANY FUNDS HELD IN THE SKM ESCROW ACCOUNT, AND ANY FUNDS HELD IN THE ABULAFIA ESCROW ACCOUNT—ANY CLAIMS THAT WORLD BAZAARS, THE ESTATE, OR THE CONTINUING ESTATE MAY HAVE AGAINST THE ENTITY HOLDING THE ALLOWED CLAIM OR ALLOWED INTEREST. NEITHER WORLD BAZAARS NOR THE CONTINUING ESTATE WILL WAIVE OR RELEASE ANY CLAIM THAT IT MAY HAVE AGAINST THOSE ENTITIES BY FAILING TO EFFECT SUCH A SETOFF OR RECOUPMENT; BY ALLOWING ANY CLAIM AGAINST OR INTEREST IN WORLD BAZAARS, ITS ESTATE, OR THE CONTINUING ESTATE; OR BY MAKING A DISTRIBUTION ON ACCOUNT OF AN ALLOWED CLAIM OR ALLOWED INTEREST.**

## **4. No *De Minimis* Distributions.**

Notwithstanding anything to the contrary in this Plan, no cash payment of less than \$50 will be made by the Disbursing Agent to any entity holding an Allowed Claim. No consideration will be provided in lieu of the *de minimis* distributions that are not made under this Section.

## **5. No Distributions With Respect to Disputed Claims and Interests.**

Notwithstanding any other Plan provisions, distributions will be made on account of a Disputed Claim or Disputed Interest only after, and only to the extent that, the Disputed Claim or Disputed Interest either becomes an Allowed Claim or an Allowed Interest or is deemed to be an Allowed Claim or an Allowed Interest for distribution purposes.

## **6. Undeliverable or Unclaimed Distributions.**

Distributions to entities holding Allowed Claims will initially be made by mail as follows:

- (a) Distributions will be sent to the address, if any, set forth on a filed proof of claim as amended by any written notice of address change received by the Disbursing Agent; or
- (b) If no such address is available, distributions will be sent to the address set forth on the Schedules.

If no address is available either on a proof of claim or on the Schedules, the distribution will be deemed to be undeliverable. If a distribution is returned to the Disbursing Agent as an undeliverable distribution or is deemed to be an undeliverable distribution, the Disbursing Agent will make no further distribution to the entity holding the Claim on which the distribution is being made unless and until the Disbursing Agent is timely notified in writing of that entity's current address. Subject to the following paragraph, until they become deliverable, undeliverable distributions will remain in the Operating Account for the benefit of the entities entitled to the distributions. These entities will not be entitled to any interest on account of the undeliverable distributions.

Any entity who is otherwise entitled to an undeliverable distribution and who does not, within six months after the Effective Date, provide the Disbursing Agent with a written notice asserting its claim to or interest in that undeliverable distribution and setting forth a current, deliverable address will be deemed to waive any claim to or interest in that undeliverable distribution and will be forever barred from receiving that undeliverable distribution or asserting any Claim against World Bazaars, its Estate, or its property. Any undeliverable distributions that are not claimed under this Section

will be retained in the Operating Account free from any restrictions. Nothing in the Plan requires World Bazaars or the Disbursing Agent to attempt to locate any entity holding an Allowed Claim and whose distribution is undeliverable.

## VII.

### LITIGATION

#### A. Preservation of Rights of Action.

As permitted by Bankruptcy Code section 1123(b)(3), except as expressly released in Section VIII, the Continuing Estate will hold title to and—through the Creditors' Committee and the Plan Administration Committee, as its representatives—may enforce, any claims, rights, or causes of action that World Bazaars or its Estate may hold or have against any entity. These claims and rights include:

- (a) Avoidance Actions;
- (b) Insider Litigation;
- (c) Claims Litigation, including Claims Litigation initiated after the Effective Date;
- (d) All claims, rights, and causes of action discussed in Section IV.C.1.b. of the Disclosure Statement, including any claims arising from the 1998 Restructuring and any claims arising from the Public Auction;
- (e) Any rights of equitable subordination or disallowance;
- (f) Derivative claims that may be brought by or on behalf of World Bazaars or its Estate;
- (g) Potential claims against Majestic—CCC IV L.L.C.; and
- (h) Any other claims or rights of any kind that either World Bazaars or its Estate may have or hold under any applicable law.

Any recoveries relating to these claims, rights, or causes of action will be retained by the Continuing Estate free and clear of all Claims and Interests, and the Continuing Estate, through the Plan Administration Committee and the Creditors' Committee, may pursue these claims, rights, or causes of action in accordance with its best interests.

#### 1. Postconfirmation Litigation.

The Creditors' Committee will continue after the Effective Date solely to serve as the Continuing Estate's representative with respect to Postconfirmation Litigation. The Creditors' Committee will serve as the Continuing Estate's representative with respect to Postconfirmation Litigation and it may, in its sole discretion, abandon, litigate, compromise, or settle any Avoidance Actions or Claims Litigation. All Committee Expenses related to the Postconfirmation Litigation will be payable solely from the Litigation Fund. The Creditors' Committee will, in its sole discretion, determine what amounts from the Litigation Fund will be used for Litigation Expenses and what funds will remain available for distribution to Class-6. Any Avoidance Recoveries and any cash remaining in the Litigation Fund will be distributed in accordance with Section IV.D.

#### 2. Insider Litigation and Other Postconfirmation Litigation.

The Plan Administration Committee will serve as representative of the Continuing Estate for purposes of pursuing the Insider Litigation and may, in its sole discretion, litigate, abandon, compromise, or settle this Postconfirmation Litigation. Levene, Neale, Bender & Rankin L.L.P.—or other counsel selected by World Bazaars, the Creditors' Committee, and the Bank Group—will serve as special counsel to the Continuing Estate and will evaluate and pursue the Insider Litigation. The Bank Group will make available \$150,000 to be provided to special counsel as a retainer to pay for costs or expenses of bringing the Insider Litigation. Special counsel's fees and any costs or expenses exceeding

\$150,000 will be paid on a contingent basis from any Insider Recoveries. The Court will retain jurisdiction over any disputes between the members of the Plan Administration Committee regarding the resolution of the Insider Litigation or any other Postconfirmation Litigation.

**B. Claim Objection Deadline.**

Except as otherwise provided in Section IV.A (regarding allowance of Administrative Claims), objections to any Claim or Interest must be filed, and must be served upon the entity holding the Claim or Interest, on or before the Claim Objection Deadline. The Claim Objection Deadline is the later of: (a) April 30, 2001; or (b) six months after the date on which the particular proof of claim or interest was filed.

**VIII.**

**THE BANK GROUP RELEASE**

Effective on confirmation, if the Bank Group votes to accept the Plan, then World Bazaars (in its corporate capacity and on behalf of the Estate), the Estate, the Continuing Estate, the Bank Group, each Bank Group member, and the Creditors' Committee, as well as any of their successors, assigns, or agents—without executing any document or entry of any order other than the Confirmation Order—will be deemed to have waived and released each other and all of their respective predecessors, successors, assigns, or agents of all claims, rights, obligations, and defenses arising under or relating to the following laws, to the extent that they arise in connection with the 1998 Restructuring, the Credit Facility, World Bazaars, the Estate, or this Liquidation Case: Bankruptcy Code sections 510, 542, 543, 544, 547, 548, 549, 550, 551, 552, and 553; all fraudulent conveyance laws; all preference laws; and California Civil Code sections 3439 and 3440, *et seq.* This release includes any right that the Bank Group may have to surcharge the Estate for any alleged diminution in the value of the Bank Group's collateral and any Administrative Claims that the Bank Group or Bank Group members may have. This release does not include obligations imposed under the Plan.

The Bank Group's vote to accept the Plan also serves as an acknowledgement by the Bank Group Agent, the Bank Group, and each Bank Group member that they are each familiar with California Civil Code section 1542, which provides that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Creditors' Committee and World Bazaars acknowledge that they are also familiar with California Civil Code section 1542. To the full extent that they may lawfully do so, the Bank Group, each Bank Group member, the Creditors' Committee, World Bazaars, the Estate, and the Continuing Estate waive and relinquish all rights and benefits that each party has or may have under California Civil Code section 1542 or any similar law.

The Bank Group, the Bank Group members, World Bazaars, the Creditors' Committee, and their professionals have made reasonable investigations of the facts and law relevant to the claims released under this Section. Each party expressly assumes the risk that the facts or law may be different than it now believes them to be, and each party agrees that this release will be effective notwithstanding any such differences.

**IX.**

**OTHER PLAN PROVISIONS**

**A. The Effective Date.**

The Plan will not be consummated or become binding unless and until the Effective Date occurs. The Effective Date will be the first Business Day, as determined by World Bazaars in its reasonable discretion, that is no later than February 28, 2001 and on which the following conditions have been satisfied:

- (a) At least ten days have passed since the Confirmation Date;
- (b) The Court has entered a Final Order disallowing or subordinating the WARN Act Claims or approving the separate classification of the WARN Act Claims in accordance with this Plan;
- (c) The Confirmation Order is not stayed; and
- (d) World Bazaars is satisfied that adequate provisions have been made to fully satisfy all Administrative Claims, Priority Tax Claims, and allowed Priority Claims in Class 5 as required under the Plan.

World Bazaars may waive, in whole or in part, any condition to the Effective Date other than the requirements of Sub-paragraphs (c) and (d). To be effective, however, the waiver must be filed with the Court.

**B. Termination of World Bazaars.**

On the Effective Date, World Bazaars' officers and directors automatically will be terminated without any further action. Upon the Effective Date and the appointment of the Plan Administration Committee, World Bazaars will have no rights to operate its business or to perform any of the functions of a debtor in possession set forth in Bankruptcy Code section 1107. Instead, the Plan Administration Committee will have full and complete power to act on behalf of the Continuing Estate in a manner consistent with this Plan. The Confirmation Order will constitute an order of the Bankruptcy Court under Bankruptcy Code section 1107(a) limiting the rights, powers, and duties of World Bazaars in accordance with this Plan.

**C. Dissolution of the Creditors' Committee.**

As of the Effective Date, the Creditors' Committee members will be released and discharged from all rights and duties arising from or related to this Liquidation Case except for their duties regarding final applications for compensation and their rights and duties under Section VII.A. Neither the professionals retained by the Creditors' Committee nor the Creditors' Committee members will be entitled to compensation or reimbursement of expenses for any services rendered or expenses incurred after the Effective Date except for: (a) services or expenses relating to their applications for compensation that were pending on the Effective Date or that were timely filed after the Effective Date; or (b) Litigation Expenses. The Creditors' Committee will automatically be dissolved upon entry of a Court order closing this Liquidation Case.

**D. Dissolution of the Continuing Estate.**

Once this Plan has been consummated, this Liquidation Case has been closed, and the Court has entered a final decree in this Liquidation Case, the Continuing Estate will automatically be dissolved without any further action.

**E. Corporate Action and Effectuating Documents.**

The dissolution of the Continuing Estate provided in Section IX.D, the adoption of amended and restated articles of incorporation and bylaws for the Continuing Estate, the appointment of the Plan Administration Committee, the liquidation of World Bazaars, and other matters provided for under this Plan involving the corporate structure of World Bazaars or the Continuing Estate or corporate action to be taken by or required of World Bazaars or the Continuing Estate will be deemed to have occurred and will be effective as provided in this Plan and will be authorized and approved in all respects without any requirement of further action by stockholders or directors of World Bazaars or the Continuing Estate. World Bazaars, the Continuing Estate, and the Plan Administration Committee will be authorized to execute, deliver, file, or record any documents or instruments and to take any other action that may be needed to effectuate and evidence the Plan's terms and conditions.

**F. Post-Effective-Date Effect of Evidences of Claims or Interests.**

Commencing on the Effective Date, notes and other evidences of Claims will represent only the right to receive the distributions contemplated under the Plan.

**G. Cancellation of Stock and Interests.**

On the Effective Date, all Interests will be cancelled, annulled, and extinguished, and the Stock will be deemed to be cancelled and of no further force or effect without any further action by World Bazaars, the Continuing Estate, or any other entity. Entities holding Interests will retain no rights and receive no consideration on account of these Interests, and entities holding Stock will have no rights arising from or relating to the Stock or its cancellation.

On the Effective Date, concurrently with the cancellation of the existing Stock, the Continuing Estate will be deemed to issue one share of new common stock. This new share of stock will be held by the Plan Administration Committee for the benefit of all entities holding Allowed Unsecured Claims. Once this Plan has been consummated, this Liquidation Case has been closed, and the Court has entered a Final Order in this Liquidation Case, this new share of stock will automatically be cancelled without any further action.

**H. Nondischarge of World Bazaars.**

In accordance with Bankruptcy Code section 1141(a)(3), the Confirmation Order will not discharge Claims. However, no entity holding a Claim may receive any payment from, or seek recourse against, any assets that are to be distributed under this Plan other than assets required to be distributed to that entity under the Plan. As of the Confirmation Date, all entities are precluded from asserting against any property that is to be distributed under this Plan any Claims, rights, causes of action, liabilities, or Interests based upon any act, omission, transaction, or other activity that occurred before the Confirmation Date except as expressly provided in this Plan or the Confirmation Order.

**I. Injunction.**

Except as otherwise provided in this Plan or the Confirmation Order, as of the Confirmation Date all entities that have held, currently hold, or may hold a Claim or Interest that would be discharged upon Confirmation of this Plan but for the provisions of Bankruptcy Code section 1141(d)(3) and Section IX.H are permanently enjoined from taking any of the following actions on account of that Claim or Interest:

- (a) Commencing or continuing any action or proceeding on account of that Claim or Interest other than to enforce a right to a distribution with respect to that Claim or Interest under this Plan;
- (b) Enforcing any judgment, award, decree, or order against any property to be distributed under this Plan other than as permitted under Section IX.H; and
- (c) Creating, perfecting, or enforcing any lien or encumbrance against any property to be distributed under this Plan other than as permitted under this Plan.

**J. No Liability for Solicitation or Participation.**

Subject to the limitations and conditions imposed under Bankruptcy Code section 1125(e), entities who—in good faith and in compliance with applicable Bankruptcy Code provisions—solicit Plan acceptances or rejections will not be liable on account of their solicitation or participation for violation of any applicable law, rule, or regulation governing the solicitation of Plan acceptances or rejections.

**K. Limitation of Liability.**

Neither World Bazaars, the Estate, the Continuing Estate, the Bank Group, the SKM Group, the SKM Lenders, the Creditors' Committee, or any member of the Creditors' Committee nor any of their employees, officers, directors, agents, members, representatives, or professionals will have or incur any liability to any entity for any act taken or omission made in good faith and in compliance with the applicable provisions of the Bankruptcy Code under, in connection with, or related to formulating, implementing, confirming, or consummating the Plan or any contract, release, or other agreement or document created under or in connection with the Plan.

**L. No Admissions.**

Notwithstanding anything to the contrary in the Plan, if the Plan is not confirmed or the Effective Date does not occur, the Plan will be null and void, and nothing contained in the Plan will: (a) be deemed to be an admission by World Bazaars, the Bank Group, the Creditors' Committee, the SKM Funds, or the SKM Lenders with respect to any matter discussed in the Plan, including liability on any Claim or the propriety of any Claim's classification; (b) constitute a waiver, acknowledgement, or release of any Claims, Interests, or any claims held by World Bazaars, the Bank Group, the Creditors' Committee, the SKM Funds, or the SKM Lenders; or (c) prejudice in any manner the rights of World Bazaars, its Estate, the Bank Group, the Creditors' Committee, the SKM Funds, the SKM Lenders, or any creditors in any further proceedings.

**M. Revocation of the Plan.**

World Bazaars reserves the right to revoke or withdraw the Plan before the Confirmation Date. If the Plan is not confirmed and the Effective Date does not occur—either because World Bazaars revoked or withdrew the Plan or for any other reason—the Plan will be null and void, and nothing contained in the Plan or the Disclosure Statement will: (a) waive or release any Claims by or against, or any Interests in, World Bazaars; or (b) prejudice in any manner any rights that World Bazaars, the Estate, or any creditors or equity security holders have in any further proceedings.

**N. Severability of Plan Provisions.**

If, before confirmation, the Court holds that any Plan term or provision is invalid, void, or unenforceable, the Court may alter or interpret that term or provision so that it is valid and enforceable to the maximum extent possible consistent with the original purpose of that term or provision. That term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the Plan's remaining terms and provisions will remain in full force and effect and will in no way be affected, impaired, or invalidated. The Confirmation Order will constitute a judicial determination providing that each Plan term and provision, as it may have been altered or interpreted in accordance with this Section, is valid and enforceable under its terms.

**O. Governing Law.**

The rights and obligations arising under the Plan and any agreements, contracts, documents, or instruments executed in connection with the Plan will be governed by, and construed and enforced in accordance with, California law without giving effect to California law's conflict of law principles, unless a rule of law or procedure is supplied by: (a) federal law (including the Bankruptcy Code and the Bankruptcy Rules); or (b) an express choice-of-law provision in any document provided for, or executed under or in connection with, the Plan.

**P. Retention of Jurisdiction.**

Notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date, the Court will retain jurisdiction over this Liquidation Case after the Effective Date to the fullest extent provided by law, including the jurisdiction to:

- (a) Allow, disallow, determine, liquidate, classify, establish the propriety or secured or unsecured status of, estimate, or limit any Claim, Interest, or Committee Expense;
- (b) Grant or deny any and all applications for allowance of compensation or reimbursement of expenses authorized under the Bankruptcy Code or the Plan for periods ending on or before the Effective Date, including Committee Expenses and compensation of expenses relating to professional fees and expenses of the Continuing Estate relating to prosecuting any claims of the Estate;
- (c) Resolve any motions pending on the Effective Date to assume, assume and assign, or reject any executory contract or unexpired lease to which World Bazaars is a party or with respect to which World Bazaars may be liable, and to hear, determine, and if necessary, liquidate any and all Claims arising from such a motion;

- (d) Ensure that distributions to entities holding Allowed Claims and Allowed Interests are accomplished under the Plan provisions;
- (e) Resolve any and all applications, motions, adversary proceedings, and other matters that involve World Bazaars and that are pending before the Court on the Effective Date;
- (f) Enter any orders necessary or appropriate to implement, consummate, or enforce the provisions of the Plan and of all contracts, releases, and other agreements or documents entered into under or in connection with the Plan;
- (g) Resolve any and all controversies, suits, or issues that may arise either in connection with the Plan's consummation, interpretation, or enforcement or in connection with any entity's rights or obligations under the Plan;
- (h) Under Bankruptcy Code section 1127, modify the Plan, the Disclosure Statement, or any contract, release, or other agreement or document created in connection with the Plan or Disclosure Statement;
- (i) Remedy—in any manner necessary and appropriate to consummate the Plan and to the extent authorized by the Bankruptcy Code—any defect, omission, or inconsistency in any Court order, the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with the Plan or Disclosure Statement;
- (j) Issue injunctions, enter and implement orders, or take any other actions that may be necessary or appropriate to restrict any entity's interference with the Plan's consummation or enforcement;
- (k) Enter and implement any orders that are necessary and appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;
- (l) Determine any other matters that may arise in connection with, or relate to, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, release, or other agreement or document created in connection with the Plan or the Disclosure Statement;
- (m) Resolve any disputes between the members of the Plan Administration Committee including disputes regarding the Postconfirmation Litigation or the Operating Budget; and
- (n) Enter an order closing this Liquidation Case.

If the Court abstains from exercising jurisdiction, or is without jurisdiction, over any matter, this Section will not effect, control, prohibit, or limit the exercise of jurisdiction by any other court that has jurisdiction over that matter.

**Q. Successors and Assigns.**

The rights, benefits, and obligations of any entity referred to in this Plan will be binding on, and will inure to the benefit of, any heir, executor, administrator, successor, or assign of that entity.

**R. Saturday, Sunday, or Legal Holiday.**

If any payment or act under the Plan should be made or performed on a day that is not a Business Day, then the payment or act may be completed on the next succeeding day that is a Business Day, in which event the payment or act will be deemed to have been completed on the required day.

**S. Non-Applicability of Local Rule 3020-1(2).**

Neither World Bazaars nor the Continuing Estate will be required to comply with Local Rule 3020-1(2), which otherwise requires the filing of certain status reports after the Confirmation Date.

X.

**CONFIRMATION**

**A. Plan Modification.**

Subject to the restrictions set forth in Bankruptcy Code section 1127, World Bazaars reserves the right to alter, amend, or modify the Plan before it is substantially consummated.

**B. Nonconsensual Confirmation.**

If any impaired Class of Claims fails to accept this Plan, and World Bazaars therefore cannot confirm the Plan in accordance with Bankruptcy Code section 1129(a)(8), World Bazaars reserves the right to: (a) request that the Court confirm this Plan under Bankruptcy Code section 1129(b); or (b) modify this Plan in accordance with Bankruptcy Code section 1127(a).

XI.

**RECOMMENDATIONS AND CONCLUSION**

World Bazaars and the Creditors' Committee believe that Plan confirmation and implementation are preferable to any feasible alternative because the Plan will provide entities holding Claims and Interests with significantly greater recoveries than any available alternatives. Furthermore, the Bank Group has reviewed the Plan and, based on that review, has informed World Bazaars and the Creditors' Committee that it supports Plan confirmation. **Accordingly, World Bazaars and the Creditors' Committee urge entities that hold impaired Claims to vote to accept the Plan.**

Dated: November 10, 2000

WORLD BAZAARS, INC.  
Debtor and Debtor in Possession

By: \_\_\_\_\_ /s/  
FRANK BUDETTI  
Chief Executive Officer

SUBMITTED BY:

\_\_\_\_\_/s/  
METTE H. KURTH, ESQ., an Attorney with  
KLEE, TUCHIN, BOGDANOFF & STERN LLP  
Bankruptcy Counsel for  
WORLD BAZAARS, INC.