UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

In re:
TSLC I, INC., et al.,

Case No.: 8:04-bk-24134-MGW
Chapter 11
Jointly Administered

Debtors.
_____/

AMENDED JOINT DISCLOSURE STATEMENT IN SUPPORT OF AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION FILED BY DEBTORS

DATED: April 6, 2005

Respectfully submitted,
Denise D. Dell-Powell, Esquire
Florida Bar No.: 0890472
Erik P. Kimball, Esquire
Florida Bar No. 0131334
AKERMAN SENTERFITT
255 South Orange Avenue
Post Office Box 231
Orlando, Florida 32802-0231
Phone: (407) 843-7860
Facsimile: (407) 843-6610
Email: Denise.DellPowell@akerman.com
Erik.Kimball@akerman.com

and

Michael P. Horan, Esquire
Florida Bar No.: 0307742
Wachovia Center, Suite 1500
P. O. Box 3273
Tampa, Florida 33601-3273
Telephone: (813) 223-7333
Fax: (813) 223-2837
Email: Michael.Horan@akerman.com

ATTORNEYS FOR DEBTORS

TABLE OF CONTENTS

I. INTRODUCTION AND OVERVIEW

(A) The Chapter 11 Case

On December 16, 2004 ("Petition Date"), TSLC I, Inc., and its Affiliated Entities, TSLC III, Inc., TSLC IV, Inc., TSLC V, Inc., TSLC VI, Inc., and TSLC VII (each a "Debtor" or a "Plan Proponent" and collectively "Debtors" or "Plan Proponents"), each filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Middle District of Florida. No trustee or examiner has been appointed in the Debtors' jointly administered Chapter 11 case.

(B) Purpose of Disclosure Statement

Pursuant to section 1125 of the Bankruptcy Code, the Debtors submit this Joint Disclosure Statement in Support of Joint Chapter 11 Plan of Liquidation (the "**Disclosure Statement**") to provide their creditors with adequate information about the Debtors and their Amended Joint Chapter 11 Plan of Liquidation, dated April 6, 2005 (the "Plan"). **Unless otherwise defined herein, all capitalized terms contained in this Disclosure Statement that are defined in the Plan shall have the meanings ascribed to those terms in the Plan.**

The purpose of the Disclosure Statement is to enable creditors of the Debtors to make an informed judgment regarding acceptance or rejection of, or objection to, the Plan. The Disclosure Statement describes generally the Plan and contains information concerning, among other things, voting instructions, classification and treatment of Claims and Interests under the Plan, and the Debtors' history, business, assets, Causes of Action, and sources of funds to implement the Plan.

The Disclosure Statement has been approved by the Bankruptcy Court for use in the solicitation of acceptances of the Plan. The Bankruptcy Court's approval of the Disclosure Statement does not constitute an endorsement by the Bankruptcy Court of any representation contained either in the Disclosure Statement or the Plan, or an endorsement of the Plan itself.

(C) Disclaimers

THE DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE DEBTORS' PROPOSED PLAN. PLEASE READ THIS DOCUMENT THOROUGHLY AND CAREFULLY. THE PURPOSE OF THE DISCLOSURE STATEMENT IS TO PROVIDE YOU WITH "ADEQUATE INFORMATION", OF A KIND, AND IN SUFFICIENT DETAIL, AS FAR AS IS REASONABLY PRACTICABLE IN LIGHT OF THE NATURE AND HISTORY OF THE DEBTORS AND THE CONDITION OF THE DEBTORS' BOOKS AND RECORDS, THAT WOULD ENABLE A HYPOTHETICAL REASONABLE INVESTOR TYPICAL OF HOLDERS OF CLAIMS OF THE RELEVANT CLASS TO MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.

FOR THE CONVENIENCE OF CREDITORS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF QUALIFIES ANY SUMMARY. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THEN THE TERMS OF THE PLAN ARE CONTROLLING.

NO REPRESENTATIONS CONCERNING THE DEBTORS' FINANCIAL CONDITION OR ANY ASPECT OF THE PLAN ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THE DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS CONTAINED IN OR INCLUDED WITH THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION TO APPROVE OR REJECT THE PLAN.

THE FINANCIAL INFORMATION CONTAINED HEREIN, UNLESS OTHERWISE INDICATED, IS UNAUDITED. IN ADDITION, BECAUSE OF THE DEBTORS' FINANCIAL DIFFICULTIES, AS WELL AS THE COMPLEXITY OF THE DEBTORS' FINANCIAL MATTERS, THE BOOKS AND RECORDS OF THE DEBTORS, UPON WHICH THIS DISCLOSURE STATEMENT IS BASED IN PART, MAY BE INCOMPLETE OR INACCURATE. HOWEVER, GREAT EFFORT HAS BEEN MADE TO ENSURE THAT ALL SUCH INFORMATION IS FAIRLY AND ACCURATELY PRESENTED.

AKERMAN SENTERFITT ("**Akerman**") COMMENCED REPRESENTING THE DEBTORS AND DEBTORS-IN-POSSESSION IN DECEMBER, 2004 AS GENERAL BANKRUPTCY COUNSEL AND HAS REPRESENTED THE DEBTORS AND DEBTORS-IN-POSSESSION IN GENERAL CORPORATE AND OTHER MATTERS SINCE 2003. ALL COUNSEL TO THE DEBTORS HAVE RELIED UPON INFORMATION PROVIDED BY THE DEBTORS IN CONNECTION WITH PREPARATION OF THIS DISCLOSURE STATEMENT.

THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH CREDITOR OR INTEREST HOLDER SHOULD CONSULT HIS OR HER OWN LEGAL COUNSEL AND ACCOUNTANT AS TO LEGAL, TAX AND OTHER MATTERS CONCERNING HIS OR HER CLAIM.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

(D) Summary of the Plan

1. In General.

The Plan provides for, among other things, the classification and treatment of Claims against and Interests in the Debtors, the funding mechanism for the Plan, provisions governing distributions under the Plan, provisions for the treatment of executory contracts, unexpired leases, various releases and certain benefit programs, provisions for the treatment of disputed claims, conditions to, and effects of, Plan confirmation, and provisions regarding the Bankruptcy Court's jurisdiction after the Effective Date.

2. Property to be Distributed.

Holders of Allowed Claims will receive, among other things, Cash under the Plan. The Cash to be distributed on or about the Effective Date will emanate primarily from proceeds from the sale of the Purchased Assets to the Purchaser. The terms and conditions of distributions to Creditors under the Plan are discussed more thoroughly in Section IV of the Disclosure Statement. Interest holders and holders of Subordinated Claims will receive no distributions under the Plan.

3. Classifications and Treatment of Claims and Interests.

a. Treatment of Classes

Unimpaired Classes. The Plan classifies the following Unimpaired Claims that are not entitled to vote on the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, each Holder of a Claim in the following Classes is conclusively presumed to have accepted the Plan in respect of such Claims. Accordingly, Holders of Claims in such Classes are not entitled to vote to accept or reject the Plan and the votes of such Holders are not being solicited in connection with the Plan. Such Claims against the Debtors are classified as follows:

a. Class 1 Claims, which shall consist of all Priority Non-Tax Claims ("**Class 1 Claims**" or "**Priority Non-Tax Claims**");

b. Class 2.1 Claims, which shall consist of the Secured superpriority Claims of CIT, as Agent under the DIP Facility to the extent not paid prior to the Effective Date ("**Class 2.1 Claims**" or "**Class 2 Secured Claims"**); and

c. Class 2.2 Claims, which shall consist of the claims of the Customs Bond Agent under the Customs Bond and which claims are secured by cash of the Debtors held by the Customs Bond Agent in the amount of $5,300,000.00 ("**Class 2.2 Claims**").

Impaired Classes Entitled to Vote. For the purpose of voting and all Confirmation matters, the Plan classifies certain Claims as Impaired Claims. Such Claims against the Debtors are classified as follows in classes which are entitled to vote on the Plan:

a. Class 3 Claims, which shall consist of all unsecured claims against the Debtors ("**Class 3 Claims**" or "Unsecured Claims").

Impaired Classes Not Entitled to Vote. Holders of Class 4 Subordinated Claims and Class 5 Interests will neither receive nor retain anything under the Plan on account of their Class 4 Subordinated Claims and/or Class 5 Interests, and thus are deemed to have rejected the Plan and will not be entitled to vote to accept or reject the Plan.

b. Executory Contracts and Unexpired Leases.

On February 26, 2005, the majority of Debtors' executory contracts and unexpired leases were assumed by Purchaser. Those contracts assumed by Purchaser that were in default have

been or will be cured by the Debtors. Any executory contract or unexpired lease not specifically assumed by Purchaser or addressed in the Plan or specifically rejected pursuant to authorization by the Court or operation of the Code, on or before Effective Date, shall be deemed to be rejected.

(E) Confirmation

1. Generally.

"Confirmation" is the technical term for the Bankruptcy Court's approval of a plan of reorganization or plan of liquidation. The timing, standards and factors considered by the Bankruptcy Court in deciding whether to confirm a Plan are discussed in Article VI of the Disclosure Statement, below.

2. Objections to Confirmation.

Any objections to confirmation of the Plan must be made in writing, must be filed with the Clerk of the Bankruptcy Court, and served on the counsel and parties listed below, on or before the date set forth in the notice scheduling the Confirmation Hearing provided with the approved Disclosure Statement. Federal Rule of Bankruptcy Procedure 3007 governs the form of objections. Copies of the objection must be served upon the following:

Denise D. Dell-Powell, Esq.
Erik P. Kimball, Esq.
Akerman Senterfitt
Counsel for the Debtors and
Debtors-in-Possession
Citrus Center, 17th Floor
255 South Orange Avenue
Post Office Box 231
Orlando, Florida 32802-0231
Telephone: 407-843-7860
Facsimile: 407-843-6610

Tropical Sportswear Int'l Corp.
Attn: Robin Cohan
Chief Financial Officer
4902 West Waters Avenue
Tampa, Florida 33634-1302
Telephone: 954-851-9494
Facsimile: 954-835-1577

Office of the United States Trustee
Timberlake Annex
501 East Polk Street, Suite 1200
Tampa, Florida 33602
Telephone: 813-228-2137
Facsimile: 813-228-2303

Michael J. Sage, Esq.
Shannon Lowry Nagle, Esq.
Stroock & Stroock & Lavan, LLP
Counsel for the Official Committee of Unsecured Creditors
180 Maiden Lane
New York, NY 10038-4982
Telephone: 212-806-5400
Facsimile: 212-806-6006

John D. Emmanuel, Esq.
Donald R. Kirk, Esq.
Fowler White Boggs Banker, P.A.
501 E. Kennedy Blvd., Suite 1700
Tampa, Florida 33602
Telephone: (813) 228-7411
Facsimile: (813) 8313

3. Confirmation Hearing

The Bankruptcy Court will hold the Confirmation Hearing on **May 18, 2005, at 10:00 a.m. (Eastern Daylight Time)**, in the United States Bankruptcy Court for the Middle District of Florida, 801 N. Florida Avenue, Courtroom 10B, Tampa, FL 33602. If necessary, the Confirmation Hearing may be continued from time to time and day to day without further notice. If the Bankruptcy Court confirms the Plan, it will do so through the entry of a Confirmation Order.

4. Effective Date.

The Plan will not be consummated, or "effective," immediately upon the entry of the Confirmation Order by the Bankruptcy Court, but will be consummated on a later date (the "Effective Date"). The Plan provides that the Effective Date will occur no more than thirty (30) days following the date on which the Confirmation Order becomes a Final Order.

5. Releases and Waivers.

On the Effective Date of the Plan, in consideration for the obligations of the Debtors under the Plan, any creditor who receives the dividends set forth in the Plan will be deemed to forever release, waive, discontinue, and discharge all existing and future claims, obligations, proceedings, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities it may have against the Debtors' Estates.

II. HISTORY, ORGANIZATION AND BUSINESS OF THE DEBTORS

(A) History and Organization of the Debtors

Founded in 1927 under the name Tropical Garment Manufacturing Company, prior to the closing of the sale of the Purchased Assets to the Purchaser, TSLC I designed, sourced and marketed high-quality branded and retailer private branded apparel products that it sold to major retailers in all levels and channels of distribution. TSLC I became a public corporation on October 28, 1997. Its stock was listed on NASDAQ under the symbol "TSIC." On or about the Petition Date, NASDAQ delisted TSLC I.

The Debtors TSLC II, Inc., TSLC III, Inc., TSLC IV, Inc. and TSLC V, Inc. are wholly-owned subsidiaries of TSLC I. TSLC VI, Inc. and TSLC VII, Inc. are in turn wholly-owned

subsidiaries of TSLC III, Inc.[1] TSLC VI, Inc. held all intellectual property associated with the products of the Debtors. TSLC VII, Inc. held all royalty and licensing agreements associated with the Debtors' products.

(B) Business of the Debtors

1. In General.

Prior to the closing of the sale to the Purchaser TSLC and its subsidiaries designed, sourced, and marketed high-quality casual and dress-casual pants, shorts, denim jeans, and woven and knit shirts for men, women, and boys. For the fiscal year ended October 2, 2004, the Debtors' sales mix was as follows: casual pants, 42%; dress-casual pants, 30%; shorts, 11%; denim, 11%; shirts, 3%; and women's, boys and other, 3%.

Debtor owned brands included Savane® and Farah®, Flyers®, The Original Khaki Co.®, Bay to Bay®, Two Pepper®, Royal Palm®, Banana Joe®, and Authentic Chino Casuals®. Licensed brands include Bill Blass® and Van Heusen®. TSIC also sourced and sold national private brands directly to retailers.

The Debtors marketed their products through all major apparel retail channels including department stores, discounters and mass merchants, wholesale clubs, national chains, specialty stores, catalog retailers, and via the internet. In their fiscal year ending 2004, the Debtors' largest customers by sales volume were Wal-Mart and Sam's Club.

The following table sets forth net sales by brand category for fiscal year 2004:

Retailer Private Brands	48%
Savane®	21%
Farah®	19%
Other Owned Brands	9%
Licensed Brands	3%

The Debtors' product line focused on basic, recurring apparel styles with innovative design and fabrication features that address consumer preferences for styling, performance and value. The Debtors distinguished their products by providing major retailers with comprehensive brand management programs and by using advanced technology to provide retailers with customer, product and market analyses, apparel design, merchandising consulting, and inventory forecasting.

---

[1] In addition, Farah Manufacturing (U.K.) Limited, a United Kingdom corporation, and Farah (Far East) Limited, a Hong Kong corporation, are wholly-owned subsidiaries of Farah Offshore Sourcing Company, a Cayman Islands corporation. Farah Offshore Sourcing Company is a wholly-owned subsidiary of TSLC III, Inc. The foreign subsidiaries are not debtors in this case.

The Debtors relied on manufacturing in the Dominican Republic, Honduras, Colombia, Nicaragua, and Mexico for about 75% of their production. The majority of the Debtors' product was manufactured in the Dominican Republic.

As of the Petition Date, the Debtors had approximately 600 employees, located primarily in Tampa, Florida, and Santa Teresa, New Mexico. On December 30, 2004, the Debtors closed the distribution facility in Santa Teresa, New Mexico and moved all distribution functions to their facility in Tampa, Florida.

2. Pre-Petition Capital Structure.

a. Pre-Petition Debt

On June 17, 2004, each of the Debtors entered into a Loan and Security Agreement with The CIT Group/Commercial Services, Inc., as Agent for the lenders under the Loan and Security Agreement (the "Lenders"), providing for a revolving line of credit in a maximum principal amount of $60 million (the "Pre-Petition Loan"). The Pre-Petition Loan included a letter of credit facility for up to $30 million in documentary letters of credit and up to $10 million in standby letters of credit, in each case used by the Debtors in the ordinary course of their business. The Pre-Petition Loan refinanced a similar line of credit issued by Fleet Bank, which remained a Lender under the Pre-Petition Loan. The Pre-Petition Loan was secured by substantially all assets of the Debtors, including without limitation, all real property, personal property including inventory and accounts receivable, and all intellectual property of the Debtors.

In connection with the Pre-Petition Loan, the Debtors executed lock-box agreements with the Lenders, pursuant to which substantially all of the Debtors' cash was used to reduce the outstanding balance of the Pre-Petition Loan, and the Debtors drew on the Pre-Petition Loan for payment of all of their expenses. The Debtors maintained minimal cash balances on a day to day basis.

As of the Petition Date, the amount outstanding under the Pre-Petition Loan was approximately $20.9 million, plus approximately $16.9 million in outstanding letter of credit obligations. The Debtors believe that the Pre-Petition Loan was substantially over-secured.

TSLC I and its Affiliated Entities entered into an Amended and Restated Credit Approved Receivables Purchasing Agreement, dated November 1, 2003 (as amended, the "CARPA"), with The CIT Group/Commercial Services, Inc. (in such capacity, "CIT"), subject to that certain Assignment Agreement For Proceeds Of Credit Approved Receivables Purchase Agreement, dated June 17, 2004, by TSLC in favor of the Lender (the "CARPA Assignment"). The CARPA provides for the purchase by CIT of accounts receivable of the Debtors as designated by TSIC and approved by CIT for such purchase. TSLC assigned its rights to receive payment from CIT under the CARPA to the Lender under the CARPA Assignment, as further security for the Pre-Petition Loan. The CARPA was beneficial to the Debtors because the Debtors could borrow under the proposed DIP Financing Agreement against such accounts receivable purchased by CIT up to 90% of the face value thereof, rather than 85% as provided for accounts not purchased by CIT.

b. Bond Issue

On June 24, 1998, TSLC I, as Issuer, and TSLC III, TSLC IV, and TSLC V, as Subsidiary Guarantors (together, the "Bond Obligors"), entered into an Indenture with SunTrust Bank, Atlanta, now known as SunTrust Bank, as indenture trustee (in such capacity, THE "Indenture Trustee"). Pursuant to the Indenture, TSLC I issued $100 million in 11% Senior Subordinated Notes (the "Bonds"). The Bond Obligors agreed to make bi-annual payments of interest, on December 15 and June 15 of each year, and to pay the principal amount of the Bonds in full on June 15, 2008. The Bond Obligors remained current on payment of interest through June 15, 2004, but did not make the interest payment due on December 15, 2004 in the amount of $5.5 million. Consequently, as of the Petition Date the Bonds remain outstanding in the amount of approximately $105.5 million, including unpaid pre-petition interest. The Bonds are not secured by any assets of the Debtors.

3. Certain Material Claims

a. Critical Vendor Claims

In the early days of these Chapter 11 Cases, the Debtors filed a Motion to Pay Certain Critical Vendors (the "CV Motion"), namely Galey & Lord, Burlington and Avondale ("Critical Vendors"). In the CV Motion, the Debtors sought authority to pay the Critical Vendors 100% of their pre-petition claims. The Debtors were compelled to seek the relief requested in the CV Motion when the Critical Vendors made it clear they would not continue to ship to the Debtors unless they were given "critical vendor" status. Without fabric from the Critical Vendors, the Debtors business would have declined to such a level as create a Material Adverse Event under the Asset Purchase Agreement with PEI which would allow PEI to terminate the Asset Purchase Agreement.

The Debtors, the Critical Vendors and the Committee ultimately reached an agreement with the Critical Vendors which agreement is embodied in the Memorandum Decision and Order on Motion of Debtors for Order Approving Payment of Critical Vendors for Order Approving Payment of Critical Vendors and Amended Motion of Debtors for Order Approving Payment of Critical Vendors – Emergency Hearing Requested (the "CV Order"). Under the CV Order the Debtors are authorized to pay to the Critical Vendors 77% of their allowed Unsecured Claims and 100% of any valid reclamation claim.

b. Reclamation Claims

Five vendors made reclamation demands in these Chapter 11 Cases. These vendors are Galey & Lord, Avondale Mills, Inc., Burlington Worldwide, Milliken Co., and Eastern Shores Printing and A&D Woven Label Co. Pursuant to the Order Granting Debtors' Motion for Order Under 11 U.S.C. § 105(A) for Order Authorizing Debtor to Pay Critical Vendors in the Ordinary Course of Business dated January 28, 2005, the Debtors were authorized to pay to Burlington, Avondale, and Galey & Lord 100% of any valid reclamation claim. The reclamation claims of the two remaining vendors total approximately $46,900.00. The Debtors continue to analyze the remaining reclamation claims.

c. Worker's Compensation – Letters of Credit

During certain periods prior to the Petition Date, the Debtors were insured with regard to workers compensation claims through St. Paul Fire and Georgia Self-Insurers. As of the Petition Date, the Debtors had outstanding standby letters of credit issued by CIT, as Agent, in the aggregate amount of $710,000.00 to secure payment of ongoing and potential workers compensation claims. The standby letters of credit remain outstanding and may be drawn by St. Paul Fire and Georgia Self-Insurers according to their terms. The Debtors believe that the standby letters of credit will be sufficient to cover any and all workers compensation claims against the Debtors for periods during which the Debtors were insured. On February 26, 2005, the Debtors deposited with CIT, as Agent, the amount of $745,500 as cash collateral to secure the standby letters of credit. Consequently, draws on standby letters of credit should not have any additional impact on Distributions under the Plan, as CIT, as Agent, already holds sufficient cash collateral to cover such draws.

d. Customs Bond

Prior to the Petition Date, in light of the substantial international import business necessary for the day-to-day operation of the Debtors, the United States Customs Service required the Debtors to acquire a Customs Bond in the amount of $5,300,000.00. The Debtors obtained the Customs Bond from the Customs Bond Agent, and secured the Customs Bond with a standby letter of credit in the amount of $5,300,000.00 issued under the DIP Facility. During the Chapter 11 Cases, because the letter of credit securing the Customs Bond was due to expire and was not replaced, the Customs Bond Agent drew the full amount available under the letter of credit. Consequently, as of the date of this Disclosure Statement, the Customs Bond Agent holds Cash of the Debtors in the amount of $5,300,000.00. Under the Plan, the Customs Bond Agent will be authorized to use the Cash of the Debtors in its possession to pay the Debtors' obligations under the Customs Bond, if any, and will be required to return any remaining cash to the Liquidating Trustee.

e. The CBA with TSLC III, Inc. and PBGC Claims

TSLC III, Inc., f/k/a Savane International Corp., as employer, is a party to a collective bargaining agreement ("CBA") with the Union of Needlestrades, Industrial and Textile Employees, AFL-CIO, CLC, Southwest Regional Board ("Union"). The employees covered by the this agreement are certain of the employees formerly employed at the distribution center in Santa Teresa, New Mexico. On or about December 7, 2004, a Memorandum of Understanding ("MOU") was executed in connection with the anticipated closing of the distribution center in Santa Teresa. The MOU provides for severance pay to approximately 88 employees who were to be laid off as a result of the closing. The MOU further provides for grievance settlement and payment of accrued vacation upon the closing of the Santa Teresa distribution center. A proof of claim has been filed on behalf of the employees covered by the CBA, seeking an unsecured priority claim for the amounts due under the MOU.

The employees covered by the CBA are also participants in the Savane International Corp. Bargaining Unit Pension Plan (the "Savane Plan"). The Debtors records indicate that on a termination basis, the Savane Plan is underfunded.

PBGC is a wholly-owned United States government corporation that administers the pension plan termination insurance program under Title IV of the Employee Retirement Income Security Act of 1974 ('ERISA"). 29 U.S.C. §§ 1301-1461. PBGC guarantees the payment of certain pension benefits to participants of a covered plan upon its termination. PBGC thereupon asserts claims for joint and several liability against the pension plan's sponsor and each member of the sponsor's controlled group. In particular, PBGC asserts claims for (i) the plan's unfunded benefit liabilities, (ii) any unpaid contributions to the plan, and (iii) any unpaid PBGC premiums. A covered plan may be terminated only if the Debtors initiate termination under 29 U.S.C. § 1341, or if PBGC initiates termination under 29 U.S.C. § 1341, or if PGBC initiates termination under 29 U.S.C. § 1342.

The Savane Plan is covered by Title IV of ERISA. As the Savane Plan is underfunded on a termination basis, the Debtors anticipate that the PBGC will terminate the Savane Plan. PBGC has informed the Debtors that it expects to assert joint and several claims against (i) the Savane Plan's sponsor, TSLC III, Inc., (ii) each of the other Debtors, and (iii) any other members of TSLC III, Inc.'s controlled group. Based on preliminary information, PBGC estimates the unfunded benefit liabilities of the Savane Plan to be approximately $5,420,400.00. Any claims asserted by PBGC will be treated by the Debtors as Unsecured Claims.

f. Shareholder Litigation

On September 16, 2003 and October 3, 2003, two purported class-action complaints were filed against TSLC, Inc., Michael Kagan, and William W. Compton, N. Larry McPherson and Christopher B. Munday, former officers of TSIC. The cases have been consolidated and an amended complaint (the "Complaint") filed adding the Company's directors, Eloy S. Vallina-Laguera, Charles J. Smith, Leslie J. Gillock, Martin W. Pius, Benito Bucay, and Eloy Vallina-Garza as named defendants.

The Complaint alleges, among other things, that TSLC made material misrepresentations and omissions regarding TSIC's future revenues, growth, and expenditures, and further allege sales of TSIC stock by officers and directors of TSIC. The Complaint alleges that the defendants violated Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule I Ob-5 thereunder by making untrue statements or omitting to state material facts in connection with purchases of TSIC common stock by the plaintiffs and others in the purported class from April 17, 2002 to January 20, 2003, that defendants Kagan, Compton, McPherson, and Munday violated Section 20(a) of the Exchange Act through the same conduct by virtue of their allegedly being "controlling persons" of TSIC and asserts claims under Section ii and Section 15 of the Securities Act of 1933 on behalf of all purchasers of the Company's stock in the secondary offering in June 2002. The complaints generally seek, among other things, certification as a class and an award of damages in an amount to be determined at trial.

TSLC has not yet filed an answer to the Complaint. TSLC, and the other defendants, have filed Motions to dismiss. On August 31, 2004, the plaintiffs dismissed all claims, with prejudice, against defendants Vallina-Laguera, Vallina-Garza, Smith, Gillock, Bucay, Pitts, Merrill Lynch, Wells Fargo, and PEG Dam Rauscher.

The plaintiffs responded to the Motions to Dismiss filed by the remaining defendants, who subsequently filed a reply brief. The Motions to Dismiss were denied by Order dated April 4, 2005.

Discovery in this action has not yet commenced. The action against TSLC is also stayed based upon the bankruptcy filing.

The plaintiffs filed a Proof of Claim in the TSLC I case asserting a claim of $113,128,641.00 based upon the allegations set forth in the Complaint.

The claims raised in the Complaint are treated in the Plan as Class 4 Subordinated Claims.

4. Capital Expenditures

The only capital expenditures made by the Debtors during the year prior to the Petition Date were those necessary to maintain the business.

III. THE CHAPTER 11 CASE

(A) Events Leading to the Chapter 11 Filing

Certain unanticipated events had an adverse effect on the Debtors and led to the filing of the Chapter 11 Cases. In Fiscal Year 2002, the Debtors began consolidation of the administrative and cutting functions of their Savane Division in El Paso, Texas, into the Debtors' Tampa, Florida facility. The Debtors experienced delays in relocating the El Paso cutting functions to Tampa and the Dominican Republic. Production delays pushed back delivery of product to customers, which in turn resulted in the loss of "shelf-space" at some retailers.

At the same time, in Fiscal Year 2003, the Debtors' inventories grew, requiring the Debtors to reduce pricing on higher than normal levels of excess inventories, in turn reducing the average selling price and gross margins. During the first half of fiscal year 2004, the Debtors continued to sell discounted inventory.

In addition, in recent years the Debtors' competitors shifted to full package assembly from North and Central America to Asia where fabric, trim and assembly costs are lower than the services available to the Debtors under their current arrangements. The Debtors suffered a competitive disadvantage to producers using Asian garment assembly and consequently suffered declining market share. In addition, exchange rates between the United States and the Dominican Republic declined in the months prior to the Petition Date, thereby increasing the Debtors' production costs.

Since August, 2003, the Debtors' current management worked to restore the Debtors to profitability by selling non-essential assets and by reducing operating costs. The Debtors sold their South Pacific division, an office building in Tampa, Florida, a cutting facility in Tampa, Florida, and subleased an El Paso facility. Corporate aircraft leases were terminated. The Debtors sold the Duck Head trade name and closed the Duck Head retail outlet business. All

cutting operations were transferred off-shore. For fiscal year 2004, the Debtors reduced operating expenses by approximately $18.7 million.

Unfortunately, for fiscal year 2004 the Debtors continued to post negative earnings before taxes, insurance and debt service. The Debtors' net sales were $463,877,000 in fiscal year 2002, $386,723,000 in fiscal year 2003, and $310,717,000 in fiscal year 2004. Due in large part to the problems referenced above, and consolidation of national retailers, the Debtors' net sales did not meet projections. The Debtors could no longer service their $100,000,000 bond debt and defaulted on the interest payment due December 15, 2004.

Having reduced operating expense to the extent reasonably possible but still unable to generate a positive cash flow, the Debtors determined that their business could operate profitably only as part of a larger apparel manufacturer that could use the Debtors' market share to achieve economies of scale. The Debtors concluded that a sale of their business as a going concern would achieve the highest return for their investors and creditors.

(B) The Chapter 11 Filing

On December 16, 2004, the Debtors each filed a voluntary Chapter 11 petition in the United States Bankruptcy Court for the Middle District of Florida. On the Petition Date, the Debtors also filed a motion to sell substantially all of their assets to the Purchaser in accordance with the terms of the Asset Purchase Agreement. The Asset Purchase Agreement required the Debtors to file a petition for relief within two (2) days of the execution of the Asset Purchase Agreement and further required that the sale of the Purchased Assets be accomplished pursuant to 11 U.S.C. § 363. Since the Petition Date, the Debtors have been managing their properties and operating their business as debtors-in-possession pursuant to 11 U.S.C. §§ 1107 and 1108. The Debtors are authorized to operate in the ordinary course of business. Transactions out of the ordinary course of business have required Bankruptcy Court approval. No trustee or examiner has been appointed in the Chapter 11 Cases.

(C) Professionals Retained by the Debtors

Prior to the commencement of the Chapter 11 cases, the Debtors retained the law firm of Akerman to represent the Debtors as their general bankruptcy counsel. On January 13, 2005, the Bankruptcy Court entered an order approving the employment of Akerman as general bankruptcy counsel. The retention order on Akerman was approved *nunc pro tunc* to the Petition Date.

The Debtors employed Alvarez & Marsal as their financial advisors. On March 8, 2005, the Bankruptcy Court entered an amended order approving the employment of Alvarez & Marsal. The retention order on Alvarez & Marsal was approved *nunc pro tunc* to the Petition Date.

The Debtors employed the accounting firm of Ernst & Young to assist in auditing and tax advisory services. The retention order on Ernst & Young was approved *nunc pro tunc* to February 28, 2005.

The Debtors retained several other professionals to assist the Debtors with regard to certain specialized matters. These professionals and their specialty are as follows:

Alston & Bird, LLP: This law firm was retained as special counsel to assist the Debtors in employment and labor law issues. The retention order on Alston & Bird was entered on January 13, 2005.

Baker & McKenzie Abogados, SC: This law firm was retained as special counsel to assist the Debtors with regard to Mexican legal issues. The retention order was entered on January 13, 2005. The Debtors have also sought an order expanding the services provided by Baker & McKenzie Abogados in order to have the firm handle the refund of certain value added taxes in Mexico. The motion seeking to expand the services of Baker & McKenzie Abogados has not been approved as of this date. If approved by the Bankruptcy Court, Baker & McKenzie Abogados' services on the value added tax refund engagement will be paid on a contingency fee basis.

Baker & McKenzie, LLP: This law firm was approved as special counsel to assist the Debtors with regard to foreign tax issues. The Bankruptcy Court approved the application at a hearing on March 9, 2005, but the retention order on Baker & McKenzie has not been entered as of this date.

The Debtors filed a motion seeking approval to employ and pay ordinary course professionals without having to file retention applications. Pursuant to the terms of the February 23, 2005 Order approving the motion to employ and pay the ordinary course professionals, the Debtors are authorized to pay the monthly invoices in full of any professional listed on the schedule filed with the Bankruptcy Court provided the fees and expenses do not exceed $75,000.00 per month for all ordinary course professionals or $5,000.00 per month for each professional. The Debtors must periodically file Statements with the Bankruptcy Court for these professionals.

(D) Appointment of Creditors' Committee and its Professionals

The Office of the United States Trustee formed the Official Committee of Unsecured Creditors (the "**Committee**"). The Committee retained Stroock & Stroock & Lavan LLP and Fowler White Boggs Banker P.A., as co-counsel to the Committee. In addition, the Committee sought and obtained the Bankruptcy Court's authorization to employ Houlihan Lokey Howard & Zukin as its financial advisors.

Under the Bankruptcy Code, the reasonable fees and expenses incurred by any Professionals duly retained by the Committee are treated as Administrative Claims.

(E) Post-Petition Financing

On the Petition Date, the Debtors filed a Motion for Interim and Final Orders (A) Authorizing Debtors-In-Possession to Obtain Post-Petition Financing and Accord Superpriority Status, (B) Authorizing Use of Cash Collateral and Affording Adequate Protection, (C) Approving Assumption Of Executory Contract, (D) Scheduling Final Hearing to Consider Final Post-Petition Financing and Use of Cash Collateral, (E) Prescribing Form and Manner of

Notice Therefore and (F) Granting Related Relief, (the "Financing Motion"). To secure the DIP Financing Obligations, the DIP Lender received a first priority security interest in all assets of the Debtors, including without limitation, inventory and cash. The initial hearing on the Financing Motion took place on December 17, 2004, which resulted in the entry of an Interim Order (i) Authorizing the Debtors to Obtain Post-Petition Financing From the CIT Group/Commercial Services, Inc., As Agent and Lender, Pursuant to § 364 of the Bankruptcy Code, (ii) Granting Liens and Superpriority Claims, (iii) Granting Adequate Protection to Pre-Petition Secured Lenders, (iv) Authorizing the Use of Cash Collateral Pursuant to § 363 of the Bankruptcy Code, (v) Modifying the Automatic Stay, (vi) Authorizing the Assumption of Credit Approved Receivables Purchase Agreement Pursuant to § 365 of the Bankruptcy Code, (vii) Scheduling a Final Hearing on the Debtors' Motion to Incur Such Financing on a Permanent Basis, and (viii) Approving the Form and Method of Notice Thereof dated December 21, 2004, authorizing the Debtors to enter into the post-petition financing agreement on an interim basis. A subsequent hearing was held and on January 13, 2005, at which time the Bankruptcy Court entered the final Financing Order (A) Authorizing Borrowing with Priority Over Administrative Expenses and Secured by Liens on Property of the Estate Pursuant to Section 364 (c) of the Bankruptcy Code and (B) to Provide Adequate Protection in Connection Therewith authorizing the DIP Financing.

(F) Key Employee Retention Program

On December 23, 2004, the Debtors filed their Motion for Entry of Order Authorizing the Debtors to Implement and Honor a Key Employee Retention Program – Emergency Hearing Requested (the "KERP "). In the KERP, the Debtors sought the authority to implement a retention program (the "Retention Program") for certain key employees of the Debtors. The purpose of the Retention Program was to insure that key employees of the Debtors would continue to provide essential management and other necessary services to the Debtors during the Chapter 11 cases, and in some cases, through a transition period and to stem the attrition which could negatively impact the Debtors' operations. By Order dated January 21, 2005, the Court approved the KERP (the "KERP Order"). Under the terms of the KERP Order, the Debtors were authorized to establish and implement the KERP on the terms and conditions set forth in the motion, as modified by the KERP Order. Under the KERP, the Debtors are authorized to pay a maximum of $3,200,000.00, plus certain monies to the CEO and President based upon the proceeds of the Sale. As of this date, Debtors estimate the actual payout under the KERP will be approximately $2,675,000.00.

(G) Sale of Purchased Assets to Perry Ellis International, Inc.

On December 16, 2004, the Debtors and the Purchaser entered into an Asset Purchase Agreement. The Asset Purchase Agreement provided for the sale of substantially all the assets of the Debtors to the Purchaser and required the Debtors to each file petitions for relief under Chapter 11 of the Bankruptcy Code and required the Debtors to file a motion to sell the Purchased Assets through a sale under 11 U.S.C. § 363.

On December 17, 2004, the Debtors filed the their Motion For Order Approving (i) Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims and Encumbrances, (ii) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (iii)

Exemption of Sale From Stamp or Similar Taxes, Expedited Hearing Requested (the "Sale Motion") seeking to sell the Purchased Assets to the Purchaser on the terms and conditions set forth in the Asset Purchase Agreement. At the preliminary hearing on January 12, 2005 the Court approved the bidding procedures portion of the Sale Motion.

An auction was held on February 10, 2005 and as no Qualified Overbid was submitted prior to the deadline, the Purchaser was the successful bidder. The sale was approved by final order entered on February 10, 2005 and the closing of the sale took place on February 26, 2005.

In connection with the sale of the Purchased Assets to the Purchaser, under the Asset Purchase Agreement, the Debtors and the Purchaser established two escrow accounts: an adjustment escrow in the amount of $3,825,000 to cover certain purchase price adjustments under the Asset Purchase Agreement reflecting potential changes in value of the Debtors' current assets between the Petition Date and the closing date of the sale, and an indemnity escrow in the amount of $3,900,000 to cover certain indemnification obligations of the Debtors under the Asset Purchase Agreement. Both escrows are held by Colonial Bank under an escrow agreement dated December 16, 2004. The adjustment escrow is to be held pending determining of any purchase price adjustments under the Asset Purchase Agreement; such determination is expected to be completed prior to the Effective Date. The indemnification escrow is to be held for up to one year following the closing of the sale to the Purchaser (i.e., through February 26, 2006). The Purchaser believes that the purchase price adjustment under the Asset Purchase Agreement is a price reduction of $10,405,000, an amount that exceeds the amounts held under the Escrow Agreement. The Debtors do not agree with the purchase price adjustment claimed by the Purchaser and the parties continue to negotiate the amount of the purchase price adjustment, in accordance with the terms of the Asset Purchase Agreement. The Asset Purchase Agreement and all documents executed in connection with or in furtherance thereof, will remain binding on the Debtors' Estates and the Liquidating Trust after the Effective Date.

(H) Executory Contracts and Unexpired Leases

1. Assumption/Rejection Deadline.

On February 26, 2005, the majority of Debtors' executory contracts and unexpired leases were assumed by Purchaser. Those contracts assumed by Purchaser that were in default have been or will be cured by the Debtors or Purchaser. Any executory contract or unexpired lease not specifically assumed by Purchaser or addressed in this Plan or specifically rejected pursuant to authorization by the Court or operation of the Code, on or before Effective Date, shall be deemed to be rejected. **Article IV(E)** of this Disclosure Statement and **Article VII** of the Plan provide additional information about the assumption and rejection of the executory contracts and unexpired leases and of the filing of claims for damages arising from the rejection of any of such contracts and leases.

IV. THE PLAN

The Debtors believe that, through the Plan, Holders of Allowed Claims will obtain a substantially greater recovery from the Debtors' Estates than the recovery which would be available if the assets of the Debtors were liquidated and the proceeds therefrom distributed

under Chapter 7 of the Bankruptcy Code. The Plan is annexed hereto as **Exhibit "A"** and forms a part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by reference to the more detailed provisions set forth in the Plan.

THE FOLLOWING IS A SUMMARY OF THE MATTERS ANTICIPATED TO OCCUR EITHER PURSUANT TO OR IN CONNECTION WITH CONFIRMATION OF THE PLAN. THIS SUMMARY ONLY HIGHLIGHTS SOME OF THE SUBSTANTIVE PROVISIONS OF THE PLAN AND IS NOT INTENDED TO BE A COMPLETE DESCRIPTION OR A SUBSTITUTE FOR A FULL AND COMPLETE READING OF THE PLAN.

(A) Overview

The Plan is a plan of liquidation under Chapter 11 of the Bankruptcy Code, and is proposed by the Debtors.

(B) Unclassified Claims

1. Administrative Claims.

Administrative Claims are Unimpaired under the Plan. Unless otherwise provided for under the Plan pursuant to **Section 3.02**, each Holder of an Allowed Administrative Claim will receive, at the option of the Debtors or the Liquidating Trustee, either: (a) Cash payment, in an amount equal to the unpaid amount of the Allowed Administrative Claim, on or as soon as reasonably practicable after the later of (i) the Effective Date, (ii) the date that is ten (10) Business Days following the date on which such Administrative Claim becomes Allowed, after entry of a Final Order, or (iii) a date agreed to by the Debtors or the Liquidating Trustee and the Holder of such Administrative Claim; or (b) such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and, if prior to the Effective Date, the Debtors and the Committee, or if on or after the Effective Date the Liquidating Trustee, or as the Bankruptcy Court has ordered or may order; provided, however, that Allowed Administrative Claims representing (a) liabilities, accounts payable or other Claims, liabilities or obligations incurred in the ordinary course of business of the Debtors consistent with past practices subsequent to the Petition Date, and (b) contractual liabilities arising under unsecured loans, credit arrangements or for product or services advanced to the Debtors, whether or not incurred in the ordinary course of business of the Debtors subsequent to the Petition Date, shall be paid or performed by the Debtors or, if after the Effective Date, by the Liquidation Trustee, in accordance with the terms and conditions of the particular transaction(s) relating to such liabilities and any agreements relating thereto.

Compliance with the obligations under this section by the Debtors or the Liquidating Trustee with respect to any Allowed Administrative Claim shall be in full satisfaction, settlement, release, extinguishment and discharge of the Allowed Administrative Claim and the Holder of such Claim will be forever barred and estopped from asserting such Claim in any manner against the Debtors and their Properties and assets. All payments and treatment under this section will be made in accordance with the priority provided under the Bankruptcy Code, or as may be otherwise ordered by the Bankruptcy Court.

2. Indenture Trustee Fees.

Pursuant to **Section 3.03** of the Plan and the Indenture, all Indenture Trustee Fees shall be paid in Cash on the Effective Date by the Debtors as Administrative Claims, without the need for application to, or approval of, the Bankruptcy Court. The Indenture Trustee's Charging Lien will be discharged solely upon payment in full of the Indenture Trustee Fees. Nothing herein shall be deemed to impair, waive or discharge the Charging Lien for any fees and expenses that are not paid.

To the extent that the Indenture Trustee provides services related to distributions pursuant to the Plan (including, but not limited to, the services referenced in Section 6.02 of the Plan), the Indenture Trustee will receive from the Debtors or the Liquidating Trustee, without further court approval, reasonable compensation for such services and reimbursement of reasonable expenses, including, but not limited to, reasonable attorneys' fees and expenses, incurred in connection with such services. These payments will be made on terms agreed to among the Indenture Trustee and the Debtors or the Liquidating Trustee.

3. Priority Tax Claims.

Priority Tax Claims are Unimpaired. Each Holder of an Allowed Priority Tax Claim shall receive, pursuant to **Section 3.04** of the Plan, (a) at the option of the Debtors or the Liquidating Trustee, Cash payment, in an amount equal to the unpaid amount of the Allowed Priority Tax Claim, on or as soon as reasonably practicable after the latest of (i) the Effective Date, (ii) the date that is ten (10) Business Days after the date on which such Claim becomes an Allowed Priority Tax Claim, after entry of a Final Order, or (iii) a date agreed to by the Debtors or the Liquidating Trustee and the Holder of such Priority Tax Claim; or such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors, if prior to the Effective Date or the Liquidating Trustee, if after the Effective Date, or (b) as the Bankruptcy Court has ordered or may order. The Debtors anticipate there will be no Priority Tax Claims remaining on the Effective Date.

(C) Designation and Treatment of Claims and Interests

1. Class 1- Priority Non-Tax Claims.

Allowed Priority Non-Tax Claims shall be treated as follows:

> Class 1 Claims are Unimpaired. Each Holder of an Allowed Class 1.1 Claim shall receive, (a) at the option of the Debtors or the Liquidating Trustee, either Cash payment, as provided in **Section 3.05** of the Plan, in an amount equal to the unpaid amount of the Allowed Class 1 Claim, on or as soon as reasonably practicable after the later of: (i) the Effective Date, (ii) the date that is ten (10) Business Days after the date on which such Claim becomes an Allowed Class 1 Claim after entry of a Final Order, or (iii) a date agreed to by the Debtors or the Liquidating Trustee and the Holder of such Class 1 Claim; or such other treatment on such other terms and conditions as may be agreed upon in writing by the Holder of such Claim and the Debtors, if prior to the Effective Date or the

Liquidating Trustee, if after the Effective Date, or (b) as the Bankruptcy Court has ordered or may order. The Debtors anticipate there will be no Class 1 Claims remaining on the Effective Date.

2. Secured Claims.

Allowed Secured Claims shall be treated as follows:

a. Class 2.1 (CIT, as Agent under the DIP Facility). Class 2.1 Claims are Unimpaired. Prior to the Effective Date, CIT, as Agent, has received Cash equal to all DIP Financing Obligations. Upon the termination or reimbursement in full of all letters of credit issued under the DIP Facility, CIT, as Agent, shall return any remaining Cash Collateral payable to the Debtors to the Liquidating Trustee for deposit in the Liquidating Trust. As of the Closing Date, CIT, as Agent, has no Liens on any Property of the Debtors other than Cash Collateral held by CIT, as Agent, for the letters of credit. Satisfaction of the DIP Financing Obligations by payment on the Closing Date is in full satisfaction, settlement, release, extinguishment and discharge of the Allowed Class 2.1 Claims and CIT, as Agent, shall be forever barred, expunged and estopped from asserting such Claim in any manner against the Debtors, their Properties or their assets.

Satisfaction of the DIP Financing Obligations by payment on the Closing Date is in full satisfaction, settlement, release, extinguishment and discharge of the Allowed Class 2.1 Claim and CIT, as Agent will be forever barred, expunged and estopped from asserting such Claim in any manner against the Debtors, and its properties and assets.

b. Class 2.2 (Customs Bond Agent). Class 2.2 Claims are Unimpaired. The Customs Bond Agent holds Cash of the Debtors in the amount of $5,300,000.00. In full satisfaction of the obligations of the Debtors to the Customs Bond Agent in connection with the Customs Bond, on and after the Effective Date the Customs Bond Agent shall be authorized to apply the Cash of the Debtors in its possession to any and all amounts owing to the Customs Bond Agent under the terms of the Customs Bond, provided, however, upon the termination or satisfaction in full of all obligations of the Debtors to the United States Customs Service and the payment of all amounts payable on account of the Debtors under the Customs Bond, the remainder of any Cash of the Debtors held by the Customs Bond Agent shall be delivered to the Liquidating Trustee for deposit in the Liquidating Trust. As of the Effective Date, the Customs Bond Agent shall have no Liens on any Property of the Debtors other than the Cash of the Debtors held by the Customs Bond Agent on the Effective Date. Satisfaction of the obligations of the Debtors under the Customs Bond pursuant to this subsection shall be in full satisfaction, settlement, release, extinguishment and discharge of the Allowed Class 2.2 Claims

and the Customs Bond Agent and the United States Customs Service shall be forever barred and estopped from asserting such claims in any manner against the Debtors, their Properties or their assets.

3. Unsecured Claims, Class 3.

Allowed Unsecured Claims (General Unsecured Claims). Class 3 Claims are Impaired. This class includes all Unsecured Claims not otherwise provided for, including, without limitation, the Bond Claims and claims arising from the rejection of executory contracts or unexpired leases. The Debtors estimate the total amount of the Class 3 Claims to be approximately $110,000.000.00 Pursuant to **Section 3.07** of the Plan, Class 3 Claims shall be treated as follows:

On or as soon as practical after the Effective Date, Holders of Allowed Class 3 Claims shall receive a Pro Rata Share of the Cash in the Unsecured Claim Distribution Fund. All Distributions on account of Bond Claims shall be made solely to the Indenture Trustee for further distribution to or for the benefit of the Beneficial Holders of the Bonds pursuant to the terms of the Indenture. The Record Date shall be used as the record date for Distribution on Unsecured Claims pursuant to the Indenture and this section. Subsequent Distributions to Holders of Allowed Class 3 Claims will be made in accordance with the terms of the Liquidating Trust Agreement.

Compliance with the obligations under this section by the Debtors and the Liquidating Trustee shall be in full satisfaction, settlement, release, extinguishment and discharge of such Allowed Class 3 Claim against the Debtors' Estates and the Holder of such Claim will be forever barred and estopped from asserting such Claim in any manner against the Debtors' Estates, the Liquidating Trustee and their Properties and assets.

Pursuant to Section 3.08 of the Plan, in lieu of the foregoing treatment, Holders of Class 3 Claims may elect to have their Claims treated as Convenience Claims. On or as soon as practical after the Effective Date, each Holder of an Allowed Convenience Claim shall receive a one time Distribution of forty percent (40%) of the Allowed amount of its Convenience Claim on and be deemed to have waived any rights to receive any and all future Distributions of Trust Assets.

TREATMENT OF SUBORDINATED CLAIMS

4. Class 4 Subordinated Claims.

Class 4 Subordinated Claims are Impaired. The Holders of Class 4 Subordinated Claims will neither receive nor retain any Property under the Plan on account of their Subordinated Claims.

TREATMENT OF INTERESTS

5. Class 5 Interests.

Pursuant to Section 3.10 of the Plan, all Interests shall be deemed canceled as of the Effective Date. The Holders of Class 5 Interests will neither receive nor retain any Property under the Plan on account of their Class 5 Interests.

TREATMENT OF INTERCOMPANY CLAIMS

6. Intercompany Claims.

Pursuant to Section 3.11 of the Plan, the Holders of any and all Intercompany Claims will neither receive nor retain any Property under the Plan on account of their Intercompany Claims.

(D) Means for Funding and Implementation of Plan

1. Consolidation

As set forth in Section 8.01 of the Plan, the Plan contemplates and is predicated upon entry of the Confirmation Order effecting the substantive consolidation of the Chapter 11 Cases of the Debtors into a single Chapter 11 Case solely for the purposes of all actions associated with Confirmation and consummation of the Plan. Substantive consolidation is warranted in these Chapter 11 cases for the following reasons: (i) substantially all of the Affiliated Entities guaranteed the Bond Claims; (ii) the Claims of the PBGC, with respect to the Savane Plan, are joint and several against each of the Debtors; (iii) the cost to allocate the Claims against the various Debtors is cost prohibitive and would not provide a substantial benefit to any Creditor; (iv) the distribution to creditors in a consolidated case would be substantially similar to any distribution if the cases were administered separately; and (v) the Debtors operated, in most respects, as a single entity, with the majority of the business being run through the operating entity, TSLC I, Inc.

On the Confirmation Date, or such other date as may be set by a Final Order of the Bankruptcy Court, but subject to the occurrence of the Effective Date: (i) solely for the purposes of the Plan and the Distributions and transactions contemplated hereby, all assets and liabilities of the Debtors shall be treated as though they were merged; (ii) any obligation of any Debtor and all guarantees thereof executed by one or more of the Debtors shall be deemed to be one obligation of the consolidated Debtors; (iii) any Claims filed or to be filed in connection with any such obligation and such guarantees shall be deemed one Claim against the consolidated Debtors; (iv) each and every Claim filed in the individual Chapter 11 Case of any of the Debtors shall be deemed filed against the consolidated Debtors in the consolidated Chapter 11 Case of the Debtors and shall be deemed a single obligation of all of the Debtors under the Plan on and after the Confirmation Date; (v) all duplicative claims (identical in both amount and subject matter) filed against more than one of the Debtors will be automatically expunged so that only one Claim survives against the consolidated Debtors but in no way shall such Claim be deemed Allowed by reason of Section 8.01 of the Plan; and (vi) the consolidated Debtors will be deemed, for purposes of determining the availability of the right of setoff under section 553 of the Bankruptcy Code, to be one entity, so that, subject to other provisions of section 553 of the

Bankruptcy Code, the debts due to a particular Debtor may be offset against claims against such Debtor or another Debtor. On the Effective Date, and in accordance with the terms of the Plan and the consolidation of the assets and liabilities of the Debtors, all Claims based upon guarantees of collection, payment or performance made by any of the Debtors as to the obligations of another Debtor or of any other Person shall be discharged, released and of no further force and effect; provided, however, that nothing herein shall affect the obligations of each of the Debtors under the Plan.

2. Effective Date Payments.

Administrative Claims and other payments required under the Plan will be funded primarily by cash received by Debtors from the sale of the Purchased Assets to Purchaser. The Debtors are currently holding $60,000,000.00 in cash and investments.

3. Projected Distributions.

Attached to the Disclosure Statement as **Exhibit "B"** is the Debtors' estimate of potential distributions to holders of Allowed Unsecured Claims as a result of confirmation of the Plan. Any of the assumptions on which the Debtors' estimate is based are subject to significant economic and other uncertainties. It is likely that some assumptions will not materialize because of unanticipated events and circumstances. Accordingly, the actual Distributions made under the Plan are likely to vary, perhaps substantially, from the projected Distributions, either positively or negatively. The Debtors do not anticipate that they will update their estimated Distributions at or prior to the Confirmation Hearing, furnish updated estimates or otherwise make any updated estimates available to the Holders of Claims or Interests, provided, however, that the Debtors reserve the right to prepare and furnish updated estimates in their absolute discretion as they deem appropriate.

(E) Treatment of Executory Contracts and Unexpired Leases

1. Assumption and Rejection.

Under Section 365 of the Bankruptcy Code, the Debtors may assume or reject executory contracts and unexpired leases. As discussed above, the Debtors have already assumed and assigned and rejected certain contracts and leases outside of the Plan.

Under the Plan, on the Effective Date, all executory contracts and unexpired leases that exist between the Debtors and any Person which (i) have not previously been assumed, assumed and assigned, or rejected pursuant to an order of the Bankruptcy Court on or prior to the Confirmation Date, and (ii) are not the subject of pending motions to assume or assume and assign as of the Confirmation Date, will be deemed rejected in accordance with the provisions and requirements of section 365 of the Bankruptcy Code.

2. Rejection Damages.

Any Claim arising out of the Debtors' rejection under the Plan of any executory contract or unexpired lease must be filed with the Bankruptcy Court and served on counsel for the Debtors not later than thirty (30) days after the service of notice of entry of the Confirmation

Order, failing which the Claim will be forever barred from assertion against the Debtors' Estates. Unless otherwise ordered by the Bankruptcy Court, all rejection Claims will be treated as Unsecured Claims under the Plan. The Debtors estimate that the remaining rejection damages in this case will be minimal, if any.

3. Benefit Programs.

Except as otherwise provided in Section 7.05 of the Plan, all employee compensation and benefit programs of the Debtors entered into before or after the Petition Date and not since terminated shall be deemed to be, and shall be treated as though they are, executory contracts that are rejected under the Plan, but (except as otherwise determined by the Debtors) only to the extent that rights under such programs are held by the Debtors or Persons who are employees of Debtors as of the Confirmation Date, and the Debtors' obligations under such programs to Persons who are employees of the Debtors on the Confirmation Date (or former employees if so determined by the Debtors) shall survive Confirmation of the Plan. Among the Debtors' employee compensation and benefit plans is the Tropical Sportswear Int'l Corporation 401(k) Profit Sharing Plan, which is intended to be a tax-qualified 401(k) profit sharing plan pursuant to Sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended. Elective deferrals made to the Plan by eligible employees and employer-matching contributions have been invested in investment funds offered by the administrator hired by the Debtors, Mass Mutual.

4. Employment Agreements.

Other than the KERP all employment and/or compensation agreements between the Debtors and any employees shall be deemed rejected in accordance with the provisions and requirements of section 365 of the Bankruptcy Code.

5. KERP.

Nothing contained in Section 7.04 of the Plan shall diminish or expand any employee's rights under the KERP.

(F) Intent to Prosecute Causes of Action After Confirmation

Except as otherwise provided in the Plan, all Causes of Action will be assigned to the Liquidating Trustee.

The Debtors are unaware of any circumstances which would give rise to fraudulent transfer claims. However, neither the Committee nor the Liquidating Trustee has conducted an extensive analysis and nothing contained herein shall be deemed to prejudice the Committee or the Liquidating Trust's ability to commence such actions.

The Debtors have performed a preliminary preference analysis with respect to payments to insiders during the one year period prior to the Petition Date. The Debtors believe that all such payments were in the nature of compensation or expense reimbursement and are disclosed in the Schedules filed by the Debtors in this case. However, the Liquidating Trustee shall perform his own investigation.

The Debtors have performed a preliminary preference analysis with respect to payments made to non-insiders, "during the-90-day period prior to the Petition Date" and upon the request of the Committee or the Liquidating Trustee, the Debtors shall provide to the Committee or the Liquidating Trustee access to such other information, as reasonably requested, to account records including account receivables and account payables during the preference period.

Any person, entity or other party subject to a Cause of Action based on any of the accounts or transactions referenced above, should assume that the Liquidating Trustee may take any action appropriate to prosecute or enforce such Cause of Action against them, regardless of how such person, entity or other party may have voted on the Plan. The Causes of Action have been described and identified with as much particularity, as is practicable and appropriate at this time. **Because all investigations and inquiries have not yet been completed, it is likely that there will be additional Causes of Action not mentioned above, and no party should assume that any general release or general discharge provision contained in the Plan, or the Confirmation Order, will bar or otherwise inhibit the Liquidating Trustee from taking any action to prosecute or enforce such additional Causes of Action**.

(G) Releases and Exculpation

1. Releases.

Pursuant to Section 13.01 of the Plan and provided the Debtors perform their obligations to the Holders of Allowed Class 3 Claims, those claimants will be forever barred, expunged and estopped from asserting such Claim in any manner against the Debtors' Estates and their Properties and assets.

Pursuant to 13.10 of the Plan, if no action or proceeding has been commenced by the Committee naming her as a defendant, on the Effective Date, effective as of the Confirmation Date, and except as otherwise provided in the Plan or in the Confirmation Order, for good and valuable consideration (including, but not limited to, her willingness to provide continuing assistance to the Debtors and the Liquidating Trustee at reasonably agreeable times and at reasonably agreeable compensation to, *inter alia* (i) maintain the efficient operation and administration of the Debtors and their respective Estates, (ii) assist the orderly transition and transfer of Trust Assets into the Liquidating Trust and (iii) provide other necessary and substantial financial and coordination and supervision of tax-related services to the Debtors and the Liquidating Trustee in furtherance of the purposes of the Liquidating Trust) Robin Cohan shall be released from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities, in any way relating to the Debtors, the Chapter 11 Cases, the pursuit of Confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan or the Liquidating Trust, which the Debtors, the Liquidating Trust or any Holder of a Claim against or Interest in the Debtors may be entitled to assert, whether for tort, fraud, contract, violations of federal or state securities law, or otherwise, whether direct or derivative, liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereafter arising, in law or in equity or otherwise based in whole or in part upon any act or omission, transaction, event or other occurrence taking place on or prior to the Confirmation Date; provided, however, that nothing herein shall release, or deemed to be a release of, any obligation of the Debtors (or any

insurer) to indemnify its current and former board of directors or officers under their respective organizational documents, by-laws, indemnification policies, state law or any other agreement.

2. Exculpation.

Pursuant to Section 13.02 of the Plan, to the extent the Debtors, members of the Committee (and each of their respective Affiliated Entities, agents, directors, officers, employees, advisors, and attorneys) have participated in good faith and in compliance with section 1125(e) of the Bankruptcy Code and all other applicable provisions of the Bankruptcy Code with regard to distributions under the Plan, they shall not have or incur any liability to any Holder of a Claim or Interest for any act taken or omission occurring on or after the Petition Date in connection with or related to the Debtors, included, but not limited to:

(i) the administration of the Chapter 11 Cases;

(ii) the operation of the Debtors during the pendency of the Chapter 11 Cases;

(iii) formulating, preparing, disseminating, implementing, confirming, consummating or administrating the Plan (including solicitation of acceptances or rejections);

(iv) the Disclosure Statement or any contract, instrument, settlement or other agreement or document entered into or any taking taken or omitted to be taken with the Plan; and

(v) any Distribution made pursuant to the Plan;

except for acts constituting willful misconduct or gross negligence, and in all respects such parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities in the Chapter 11 Cases.

3. Limitation of Liability of Officers of Debtors.

The Plan provides that the Liquidating Trustee may pursue certain Causes of Action owned by the Debtors or the Estates for the benefit of holders of Allowed Class 3 Claims. The Plan further provides that to the extent that any Cause of Action is asserted against any officer of the Debtors (including any officer who was also a director, acting in either capacity), who was employed or appointed as of the Petition Date, such Cause of Action shall be limited, in amount and recovery, to any insurance proceeds available for payment thereof. The relevant officers include the following: Michael Kagan, Richard J. Domino, Robin J. Cohan, and Steven S. Barr (together, the "Officers"). Each of the Officers is a senior executive with significant experience in the industry who did not need to remain employed with the Debtors during this chapter 11 case, but chose to do so in order to follow through on the Debtors' sale efforts. The Debtors believe that the performance of each of the Officers in continuing to operate the Debtors business, negotiating with the Purchaser, assisting in developing potential competing bids for the Purchased Assets, and closing the sale to the Purchaser, was exemplary and beyond the call of

duty. The Debtors believe that by facilitating the successful sale of the Debtors' assets the Officers performed an invaluable service to the Estates and the Debtors' creditors.

The Committee believes that the proposed limitation on liability of the Officers is not consistent with the Bankruptcy Code and applicable law.

The Debtors dispute the Committee's position. If the Court determines that the proposed limitation on liability of the Officers is not permissible under the Bankruptcy Code and applicable law, the Debtors may amend the Plan at the Confirmation Hearing by eliminating the subject provision without the need to re-solicit votes under the Plan as amended. At this time, it is not clear what effect the proposed limitation of liability will have on Distributions to Holders of Allowed Class 3 Claims under the Plan.

4. Liability of Nondebtors with Respect to Savane Plan.

Except as provided in Section 13.10 of the Plan, the Debtors' reorganization proceedings and the Plan shall not discharge, exculpate, release, or relieve any nondebtor from any liability under ERISA with respect to the Savane Plan. Notwithstanding anything to the contrary contained herein, neither the PBGC nor any other party shall be enjoined or otherwise precluded from enforcing such liability with respect to the Savane Plan.

(H) Establishment of Liquidating Trust; Implementation of Plan

1. The Liquidating Trust.

a. Establishment of the Trust. On the Effective Date, the Debtors, pursuant to Section 4.01 of the Plan, on their own behalf and on behalf of the Holders of Allowed Claims, shall execute the Liquidating Trust Agreement and shall take all other steps necessary to establish the Liquidating Trust. The Liquidating Trust Agreement shall contain provisions customary to trust agreements utilized in comparable circumstances, including, but not limited to, any and all provisions necessary to govern the rights, powers, obligations and appointment and removal of the Liquidating Trustee and to ensure the treatment of the Liquidating Trust as a liquidating trust for federal income tax purposes. On the Effective Date, the Debtors, after making the initial Distributions to Holders of Allowed Claims in accordance with the provisions of the Plan (the "**Effective Date Payments**"), shall transfer and be deemed to have transferred (as described in Section 4.01(c) hereunder) to the Liquidating Trust all of their right, title, and interest in all of the Trust Assets and any other remaining Property of the Debtors and their Estates, free and clear of any Lien, Claim or Interest in such Property of any other Person except as provided in the Plan. In addition, the non-exclusive right, but not the obligation, to investigate and pursue any and all claims and causes of action that the Holders of Unsecured Claims have against the Debtors' officers

or directors shall vest in the Liquidating Trust. Title to all Trust Assets shall vest in the Liquidating Trust on the Effective Date. The Debtors or such other Persons that may have possession or control of such Trust Assets shall transfer possession or control of such Trust Assets to the Liquidating Trustee and shall cooperate with the Liquidating Trustee by executing documents or instruments necessary to effectuate such transfers or that shall aid implementation of the deemed transfers under the Plan. All Cash held in the Liquidating Trust shall be invested in accordance with the Liquidating Trust Agreement.

b. **Purpose of the Liquidating Trust**. The Liquidating Trust shall be established for the sole purpose of liquidating and distributing the Trust Assets, in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. Subject to definitive guidance from the Internal Revenue Service (the "IRS"), all parties shall treat the Liquidating Trust as a liquidating trust for all federal income tax purposes.

c. **Transfer of Assets to Liquidating Trust**.

(i) The transfer of the Trust Assets in to the Liquidating Trust shall be made, as provided herein and in the Liquidating Trust Agreement, for the benefit of the Holders of Allowed Claims, whether Allowed on or after the Effective Date. The transfer of the non-exclusive right to investigate and pursue the claims and causes of action of the Holders of Unsecured Claims as a class against the Debtors' officers or directors that existed as of the Petition Date shall be without prejudice to the rights of the Holders of Unsecured Claims to bring any such claims and causes of action against the Debtors' officers or directors independently and not as part of the Liquidating Trust. Pursuant to the Liquidating Trust Agreement, if the Liquidating Trustee elects to pursue a claim or cause of action on behalf of the Holders of Unsecured Claims, such Holders will be notified and have the opportunity to opt out of the litigation or other form of pursuing the claim or cause of action.

(ii) After the transfer of the Trust Assets to the Liquidating Trust, the Liquidating Trustee shall make Distributions on account of the Beneficial Interests in accordance with and subject to the terms and conditions of the Plan and the Liquidating Trust Agreement.

(iii) All parties shall treat the Liquidating Trust as a liquidating trust for federal income tax purposes with the Liquidating Trust Beneficiaries being the beneficiaries, grantors and owners of the Liquidating Trust, as set forth in Article IX of the Liquidating Trust Agreement. The transfer of the Trust Assets to the Liquidating Trust shall be treated by all parties for all federal income tax purposes as if all the transferred assets had been first transferred to the Liquidating Trust Beneficiaries and then transferred by such beneficiaries to the Liquidating Trust.

d. **Termination**. The Liquidating Trust shall terminate no later than the third (3rd) anniversary of the Effective Date; provided, however, that, on or prior to the date six (6) months prior to such termination, the Bankruptcy Court, upon motion by a party in interest, including the Liquidating Trustee, may extend the term of the Liquidating Trust, upon notice to all parties listed in the Special Notice List, if it is necessary to complete the liquidation of the Trust Assets. Notwithstanding the foregoing, multiple extensions can be obtained so long as Bankruptcy Court approval is requested at least six (6) months prior to the expiration of each extended term; provided, however, that the aggregate of all such extensions shall not exceed three (3) years, unless the Liquidating Trustee receives a favorable ruling from the IRS that any further extension would not adversely affect the status of the trust as a liquidating trust within the meaning of Treasury Regulation section 301.7701-4(d) for federal income tax purposes. The Liquidating Trustee shall further cause the Liquidating Trust to be terminated within three (3) months after making its final Distribution.

2. **Appointment of Liquidating Trustee and Liquidating Trust Committee**.

Pursuant to Section 4.02 of the Plan, the Confirmation Order shall provide for the appointment of Mark Stickel of Wind Down Associates/Bridge Associates LLC as Liquidating Trustee. On or prior to the Effective Date, the Liquidating Trust Committee *[to be selected by the Committee prior to the Confirmation Hearing]* shall be appointed in accordance with the provisions set forth in the Liquidating Trust Agreement. The compensation for the Liquidating Trustee shall be as set forth in the Liquidating Trust Agreement. The Liquidating Trustee shall be deemed the Estates' representative in accordance with section 1123 of the Bankruptcy Code and shall have all powers, authority and responsibilities specified in the Liquidating Trust Agreement incorporated herein, including, without limitation, the powers of a trustee under sections 704 and 1106 of the Bankruptcy Code. The Holders of Unsecured Claims appointed to the Liquidating Trust Committee shall advise and direct the Liquidating Trustee with respect to the investigation and pursuit of such claims and Causes of Action as set forth in the Liquidating Trust Agreement. From and after the Effective Date, the Liquidating Trustee may settle or

compromise any Disputed Claim or Cause of Action pursuant to the terms of the Liquidating Trust Agreement.

3. Beneficial Interests, Applicability of Securities Laws and Reporting Requirements.

a. Securities Laws. Under section 1145 of the Bankruptcy Code, the issuance of Beneficial Interests under the Plan shall be exempt from registration under the Securities Act of 1933, as amended, and applicable state and local laws requiring registration of securities. If the Liquidating Trustee determines, with the advice of counsel, that the Liquidating Trust is required to comply with the registration and reporting requirements of the Securities and Exchange Act of 1934, as amended, or the Investment Company Act of 1940, as amended, then the Liquidating Trustee shall take any and all actions to comply with such reporting requirements and file necessary periodic reports with the Securities and Exchange Commission.

b. Non-Transferability of Beneficial Interests. Upon issuance thereof, the Beneficial Interests shall not be certificated and are not transferable (except as otherwise provided in the Liquidating Trust Agreement).

c. Special Notice List. Any Holder of a Beneficial Interest who provides the Liquidating Trustee with written notice of their request to receive notice of Liquidating Trust activities shall be included on the Special Notice List maintained by the Liquidating Trustee for such purposes.

4. Distributions To Holders Of Claims.

Pursuant to Section 4.04 of the Plan, distributions will be made as follows:

a. No Recourse. Notwithstanding that the Allowed amount of any particular Disputed Claim is reconsidered under the applicable provisions of the Bankruptcy Code and Bankruptcy Rules or is Allowed in an amount for which after application of the payment priorities established by the Plan there is insufficient value to provide a recovery equal to that received by other Holders of Allowed Claims in the respective Class, no Holder of a Claim shall have recourse against the Debtors' Estates, the Liquidating Trustee, the Liquidating Trust Committee or any of their respective professionals, consultants, officers, directors or members or their successors or assigns, or any of their respective property. However, nothing in the Plan shall modify any right of a Holder of a Claim under section 502(j) of the Bankruptcy Code. The

estimation of Claims and establishment of reserves under the Plan may limit the Distribution to be made on individual Claims, regardless of the amount finally Allowed on account of such Disputed Claims.

b. **Resolution of Disputed Claims**. No Distribution or payment shall be made on account of a Disputed Claim until such Disputed Claim becomes an Allowed Claim. No Distribution or payment shall be made to any Holder of an Allowed Claim who is also a potential defendant in an avoidance action under chapter 5 of the Bankruptcy Code or any Causes of Action. Notwithstanding this Subsection, the making of a Distribution to such potential defendant or the lack of any objection filed to such Allowed Claim on the basis of such potential Causes of Action, shall not constitute a waiver of any rights of the Debtors or the Liquidating Trustee, as the case may be. For purposes of the Plan, such Distribution or payment on account of such Allowed Claim shall be held in the Disputed Claims Reserve Account as if it were a Disputed Claim.

c. **Objections to Claims**. Unless otherwise ordered by the Bankruptcy Court, after the Effective Date, the Liquidating Trustee, under the direction of the Liquidating Trust Committee, shall have the exclusive right to make and file objections to and settle, compromise or otherwise resolve Disputed Claims, except that as to applications for allowances of Professional Claims, objections may be made in accordance with the applicable Bankruptcy Rules by Parties in Interest. The Liquidating Trustee shall file and serve a copy of each objection upon the Holder of the Claim to which an objection is made on or before the latest to occur of: (i) one hundred-eighty (180) days after the Effective Date or such other date as may be fixed by the Bankruptcy Court either before or after the expiration of such time period. Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the claimant if the Liquidating Trustee effects service in any of the following manners (a) in accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004; (b) by first class mail, postage prepaid, on the signatory on the proof of claim or other representative identified in the proof of claim or any attachment thereto at the address of the creditor set forth therein; or (c) by first class mail, postage prepaid, on any counsel that has appeared on the claimant's behalf in the Chapter 11 Cases. From and after the Effective Date, the Liquidating Trustee may settle or compromise any Disputed Claim or Cause of Action pursuant to the terms of the Liquidating Trust Agreement.

d. **Distributions when a Disputed Claim Becomes an Allowed Claim; or when a Disputed Claim is Subsequently Disallowed**. On the next Distribution Date following the time upon which a Disputed Claim is ultimately Allowed, the Holders of such Claims shall receive from the applicable Disputed Claims Reserve Account any amounts held in such Disputed Claims Reserve Account attributable to the Allowed amount of such Claim, as set forth in the Liquidating Trust Agreement and the Plan. Any Cash Distributions held in the applicable Disputed Claims Reserve Account for the benefit of a Holder of a Disputed Claim, which is subsequently Disallowed, in whole or in part, shall be distributed on the next Distribution Date, on a Pro Rata basis to the Holders of Beneficial Interests having Allowed Claims and to the applicable Disputed Claims Reserve Account on account of such Disputed Claims as if such amounts had been distributed on the Effective Date.

e. **Distributions on Account of Beneficial Interests**. To the extent funds are available, on each Distribution Date, the Liquidating Trustee shall make Distributions of Available Cash from the Liquidating Trust to the Holders of Beneficial Interests in accordance with the Liquidating Trust Agreement and the Plan. Any proceeds received from the liquidation of the Trust Assets shall be distributed in accordance with the Liquidating Trust Agreement and the Plan.

5. Disputed Claims Reserve Account.

Pursuant to Section 4.05 of the Plan, the Disputed Claims Reserve Account will be established and handled as follows:

a. **Establishment of Disputed Claims Reserve Accounts**. On the Effective Date, and in conjunction with making all Distributions required to be made on the Effective Date, the Debtors or the Liquidating Trustee, as the case may be, shall establish the Disputed Claims Reserve Account which shall be administered by the Liquidating Trustee.

b. **Duties in Connection with Disputed Claims**. The Liquidating Trustee, under the direction of the Liquidating Trust Committee, shall (i) hold and administer the Disputed Claims Reserve Account, (ii) object to, settle or otherwise resolve Disputed Claims, (iii) make Distributions to Holders of Disputed Claims that subsequently become Allowed Claims in accordance with the Plan and (iv) distribute any remaining assets of the Disputed Claims Reserve Account, after resolving all Disputed Claims, to the

Holders of Beneficial Interests in accordance with the Liquidating Trust Agreement and the Plan.

c. **Transfer of Distributions to Disputed Claim Reserve Account**. On and after the Effective Date, any Distributions that would otherwise be made to the Holders of Disputed Claims shall be transferred to the Disputed Claims Reserve Account. Payments shall be made from the Disputed Claims Reserve Account to the Holder of an Allowed Claim, which was previously a Disputed Claim, upon the first Distribution Date immediately following the date upon which such Claim became an Allowed Claim.

d. **Termination of Disputed Claims Reserve Account**. The Disputed Claims Reserve Account shall be terminated by the Liquidating Trustee when all Disputed Claims related to such account have either become Allowed Claims or Disallowed and Distributions required herein to be made have been made in accordance with the terms of the Plan and the Liquidating Trust Agreement.

6. Administrative Claim Reserve and Expense Reserve Fund.

On the Effective Date, pursuant to Section 4.06 of the Plan, the Debtors or the Liquidating Trustee, as the case may be, shall establish and fund the Administrative Claim Reserve and the Expense Reserve Fund in accordance with the Liquidating Trust Agreement.

7. Continued Binding Effect of Asset Purchase Agreement.

From and after the Effective Date, pursuant to Section 4.07 of the Plan, the Debtors, and thereafter, the Liquidating Trustee shall perform all of the Debtors' then remaining obligations pursuant to the Asset Purchase Agreement. Except as it relates to the Liquidating Trustee continuing as successor to the Debtors thereunder, the Asset Purchase Agreement shall not be modified, altered nor amended in any way by the Plan or the Confirmation Order. From and after the Effective Date, PEI shall perform all of its obligations pursuant to the Asset Purchase Agreement and be deemed to have consented to the Liquidating Trust as the successor to the Debtors thereunder.

V. VOTING PROCEDURES AND REQUIREMENTS

(A) Eligibility

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Plan divides Claims against and Interests in the Debtors into various Classes and provides separate treatment for each Class. Only Classes comprising Impaired Claims or Interests are entitled to vote to accept or reject the Plan. A Class of Claims or Interests is Impaired if legal, equitable or contractual rights attaching to the Claims or Interests of the Class are modified, other than by curing defaults and reinstating maturities. Holders of Class 1 Claims, Class 2.1 Claims, and Class 2.2 Claims are unimpaired and are conclusively presumed to have accepted the Plan and

the solicitation of acceptances with respect to such Classes is not required under section 1126(f) of the Bankruptcy Code. Holders of Class 4 Subordinated Claims and Class 5 Interests are impaired, but shall not receive or retain any distributions under the Plan pursuant to section 1126(g) of the Bankruptcy Code on account of their Claims and Interests, and are conclusively presumed to have rejected the Plan and the solicitation of acceptances with respect to such Classes is not required under section 1126(f) of the Bankruptcy Code. Therefore, only the Holders of Class 3 Claims are entitled to vote on the Plan.

Any Holder of a Class 3 Claim (i) whose Claim has been listed by the Debtors in the Schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as Disputed, Contingent or Unliquidated), or (ii) who filed a proof of claim on or before the Bar Date (January 31, 2005 or any proof of claim filed within any other applicable period of limitations or with leave of the Bankruptcy Court, which Claim is not the subject of an objection is entitled to vote on the Plan; provided, however, after notice and a hearing pursuant to Federal Rule of Bankruptcy Procedure 3018(a), the Bankruptcy Court may allow the Claim temporarily for the purpose of voting to accept or reject the Plan. Any Holder of a Class 3 Claim to be allowed temporarily for the purpose of voting must take steps necessary to arrange an appropriate hearing with the Bankruptcy Court.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Court.

(B) Ballots

In voting for or against the Plan, please use only the Ballot or Ballots sent to you with this Disclosure Statement. Votes cast to accept or reject the Plan will be counted by Class. You are required to vote all of your Claims within a Class the same way. Please read the voting instructions contained within the Ballot for a thorough explanation of voting procedures applicable to your Claim.

(C) Voting Procedure

To vote on the Plan, you must: (1) indicate on the Ballot that (a) you accept the Plan or (b) you reject the Plan; and (2) sign your name and mail the Ballot in the envelope provided for this purpose. Please complete and return each Ballot you receive to the Clerk of the Bankruptcy Court, and also return a copy of same to the Debtors' counsel, addressed as shown in the last paragraph of this **Article V(C)**. Put your taxpayer identification number (or social security number) on your Ballot where indicated. **Please carefully follow the directions contained on the ballot.**

You may enclose a self-addressed postage pre-paid envelope and a copy of your Ballot(s) to be returned and stamped "Filed" from the Clerk of the Bankruptcy Court confirming the delivery and filing of your Ballot(s). You may not change your vote after it is cast unless the Bankruptcy Court permits you to do so after notice and a hearing to determine whether sufficient cause exists to permit the change. **Do not return any certificates or instruments evidencing your claim with the Ballot.**

The Bankruptcy Court will approve separate voting procedures for Beneficial Holders of the Bond Claims. **The record date for purposes of identifying Beneficial Holders of Bond Claims entitled to vote on the Plan is April 6, 2005**. Each Beneficial Holder of a Bond Claim should submit its vote only on the form of Ballot approved for such purpose by the Bankruptcy Court (the "Bondholder Ballot") and should follow the detailed instructions provided on the Bondholder Ballot. If you are a Beneficial Holder of a Bond Claim as of April 6, 2005, and you did not receive a form of Bondholder Ballot, please contact the Debtors' counsel at the address set forth in the following paragraph.

If you believe that you are a Holder of a Class 3 Claims and did not receive a Ballot, or if your Ballot is damaged or lost, or if you have any questions concerning voting procedures, then please contact the following in writing:

Akerman Senterfitt
Citrus Center, 17th Floor
255 South Orange Avenue
Post Office Box 231
Orlando, Florida 32802-0231
Attn: Denise D. Dell-Powell, Esquire
Telephone: (407) 843-7860
Facsimile: (407) 843-6610
e-mail: denise.dell-powell@akerman.com

(D) Voting Deadline

In order to be counted, Ballots must be marked, signed and returned so that they are **received** by the Clerk of the Bankruptcy Court no later than **5:00 p.m. (Eastern Daylight Time) on _____ ___, 2005 (the "Voting Termination Date").**

(E) Importance of Voting/Vote Required for Acceptance and Confirmation

Your vote is important to the Chapter 11 Case. Your failure to vote will leave to other creditors, whose interests may not be the same as yours, the decision to accept or reject the Plan. To have your vote counted, you must complete properly and return all Ballots by the Voting Termination Date provided above.

The Bankruptcy Code defines acceptance of a plan by an impaired class of claims as acceptance by holders of at least two-thirds (2/3) in dollar amount, and more than one-half (1/2) in number, of the claims of that class which actually cast ballots. In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim in an impaired class or that the plan be found by the relevant court to provide the holder with at least as much value on account of its claim as it would receive in a liquidation of the debtor under Chapter 7 of the Bankruptcy Code.

In the event any of the Classes of Impaired Claims vote to reject the Plan, the Debtors may seek to effect a "cramdown" on such dissenting Class and all Classes of the Debtors that are junior to such dissenting Class under section 1129(b) of the Bankruptcy Code and confirm the Plan over the Class' disapproval thereof.

VI. CONDITIONS TO CONFIRMATION

(A) In General

Section 1129 of the Bankruptcy Code sets forth the requirements that must be satisfied in order for the Plan to be confirmed. Among other things, this section requires the Plan to (i) comply with the applicable provisions of the Bankruptcy Code; (ii) be proposed in good faith and not by any means forbidden by law; (iii) be accepted by each Impaired Class (subject to the "cramdown" provisions); and (iv) not likely be followed by the liquidation, or the need for further financial reorganization, of the Debtors.

The Debtors believe that the Plan satisfies, or will satisfy, all of the statutory requirements for confirmation of the Plan. Before the Confirmation Hearing, the Debtors may be required to submit extensive pleadings and evidence demonstrating that the Plan complies with all of the provisions set forth above. The following sections discuss some of the requirements set forth in section 1129(a) of the Bankruptcy Code.

(B) Best Interests Test

1. In General

Notwithstanding acceptance of the Plan by each Impaired Class, to confirm the Plan the Bankruptcy Court must determine that the Plan is in the best interests of each Holder of a Claim or Interest in an Impaired Class that has not voted to accept the Plan. Accordingly, if an Impaired Class does not unanimously accept the Plan, the "best interests" test of section 1129(a)(7) of the Bankruptcy Code requires that the Bankruptcy Court find that the Plan provides to each Holder of a Claim or Interest in each Impaired Class a recovery on account of the Holder's Claim or Interest that has a value at least equal to the value of the distribution that each such Holder would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

2. Chapter 7

To estimate what members of each Impaired Class of Claims or Interests would receive if the Debtors were liquidated in a Chapter 7 case, the Bankruptcy Court must consider the aggregate dollar amount that would be available if the Chapter 11 Case were converted to a Chapter 7 case under the Bankruptcy Code and the Debtors' assets were liquidated by a Chapter 7 trustee (the "**Liquidation Value**"). The Liquidation Value would consist of the net proceeds from the disposition of the Debtors' assets, augmented by the cash held by the Debtors and reduced by certain increased costs and claims that arise in a Chapter 7 liquidation that do not arise in a Chapter 11 case. The Debtors believe that their Estates would incur at least an additional $2,000,000.00 in Administrative Claims in a Chapter 7, for the Chapter 7 trustee's statutory fees, plus fees and expenses of counsel to the Chapter 7 trustee, over and above the Chapter 11 Administrative Claims.

The Liquidation Value available to general creditors would be reduced by: (a) Secured Claims to the extent of the value of collateral securing such Claims; and (b) the costs and expenses of the liquidation under Chapter 7, which would include: (i) the compensation of a Chapter 7 trustee and its counsel and other professionals retained; (ii) disposition expenses; (iii)

all unpaid expenses incurred by the Debtors during their Chapter 11 Cases (such as compensation for attorneys, financial advisors, investment bankers, brokers, auctioneers and accountants) which are allowed in the Chapter 7 case; (iv) litigation costs; and (v) claims arising from the operation of the Debtors during the pendency of the Chapter 11 Cases and Chapter 7 liquidation cases. The liquidation itself would accelerate other priority payments which would otherwise be payable in the ordinary course. These priority claims would be paid in full out of the liquidation proceeds before the balance would be made available to pay most other claims. Once the percentage of liquidation proceeds for each Class can be ascertained, the value of the distribution available out of the Liquidation Value is compared to the value of the property offered to such Class under the Plan. If the value of property offered under the Plan exceeds the value available from a liquidation, then the Plan is in the best interests of Holders of Impaired Claims and Interests.

3. Liquidation Analysis

After considering the effect that a Chapter 7 liquidation would have on the value of the Debtors' Estates, including the costs of and claims resulting from a Chapter 7 liquidation, and the delay in the distribution of liquidation proceeds, the Debtors have determined that confirmation of the Plan will provide each Holder of an Allowed Claim or Interest other than the Class 4 Subordinated Claims and the Class 5 Interests with a recovery that is greater than such Holder would receive pursuant to liquidation of the Debtors under Chapter 7 liquidation. The Debtors believe that Class 4 Subordinated Claims and Class 5 Interests would receive nothing in a Chapter 7 liquidation.

The Debtors also believe that the value of any distributions to each Class of Allowed Claims in a Chapter 7 case would be less than the value of distributions under the Plan because such distributions in a Chapter 7 case would not occur for a substantial period of time. Distribution of the proceeds of the liquidation could be delayed.

Thus, the Debtors believe the Plan meets the requirements of section 1129(a)(7) of the Bankruptcy Code because, under the Plan, all Holders of Impaired Claims will receive distributions that have a value at least equal to the value of the distribution that each such Person would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

(C) Feasibility of the Plan

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation should not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors (unless such liquidation or reorganization is proposed in the relevant plan). As this is a plan of liquidation, for purposes of determining whether the Plan meets this requirement, the Debtors must only analyze their ability to meet their obligations under the Plan. Based upon the fact that the Debtors currently hold approximately $60,000,000.00 for the benefit of the creditors and to pay expenses, the Debtors believe that their liquidation scenario under the Plan satisfies the feasibility requirements of section 1129(a)(11).

(D) Confirmation Without Acceptance By All Impaired Classes

The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code. The Plan may be confirmed under the cramdown provisions if, in addition to satisfying other requirements of section 1129 of the Bankruptcy Code, the Plan: (a) is "fair and equitable," and (b) "does not discriminate unfairly" with respect to each Class of Claims that is Impaired under, and has not accepted, the Plan.

1. Fair and Equitable Test

To obtain nonconsensual confirmation of the Plan, it must be demonstrated to the Bankruptcy Court that the Plan is "fair and equitable" with respect to each Impaired, nonaccepting Class. The Bankruptcy Code provides a non-exclusive definition of the phrase "fair and equitable." The Bankruptcy Code establishes "cramdown" tests for secured creditors, unsecured creditors and equity holders, as follows:

(i) Secured Creditors. Either (i) each impaired secured creditor retains its liens securing its secured claim and receives on account of its secured claim deferred cash payments having a present value equal to the amount of its allowed secured claim, (ii) each impaired secured creditor realizes the "indubitable equivalent", of its allowed secured claim or (iii) the property securing the claim is sold free and clear of liens with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds is provided in clause (i) or (ii) of this subparagraph.

(ii) Unsecured Creditors. Either (i) each impaired unsecured creditor receives or retains under the Plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive any property under the Plan.

(iii) Interests. Either (i) each holder of an equity interest will receive or retain under the Plan property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled or the value of the interest or (ii) the holder of an interest that is junior to the nonaccepting class will not receive or retain any property under the Plan.

The Debtors believe that the Plan and the treatment of all Classes of Impaired Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual confirmation of the Plan.

2. No Unfair Discrimination

A plan of reorganization "does not discriminate unfairly" if: (a) the legal rights of the nonaccepting Impaired class are treated in a manner that is consistent with the treatment of other classes whose legal rights are intertwined with those of the non-accepting class; and (b) no class receives payments in excess of that which it is legally entitled to receive for its allowed claim or allowed interest. The Debtors believe that under the Plan: (i) all Impaired Classes of Claims are

treated in a manner that is consistent with the treatment of other Classes of Claims and Interests with which their legal rights are intertwined, if any; and (ii) no Class of Claims or Interests will receive payments or property with an aggregate value greater than the aggregate value of the Allowed Claims or Allowed Interests in such Class. Accordingly, the Debtors believe that the Plan does not discriminate unfairly as to any Impaired Class.

VII. PROJECTED FINANCIAL INFORMATION

The Debtors have prepared a budget projecting certain expenditures during the period from the date of this Disclosure Statement through the projected Effective Date of the Plan, and for certain periods after the Effective Date (the "Wind-Down Budget"). A copy of the Wind-Down Budget is attached to the Disclosure Statement as **Exhibit "C."** The Wind-Down Budget includes line items for outstanding, post-petition accounts payable (to be paid according to terms), costs for cure in connection with contracts assumed and assigned to the Purchaser as provided in the Asset Purchase Agreement, fees and expenses of the Indenture Trustee, costs for document retention, payments under the KERP, payroll and related expenses for the Debtors' transitional employees, professional fees and expenses, insurance costs, among other things. The Debtors sold the majority of their assets to the Purchaser on February 26, 2005; therefore, the Wind-Down Budget shows little or no monies generated from ongoing operations. The Debtors estimate that their remaining assets are worth approximately $1,300,000 to $1,500,000. The Debtors caution that no representation can be made concerning the accuracy of the projected financial information or the ability to achieve the projected results contained in the Wind-Down Budget.

Any of the assumptions on which the Wind-Down Budget is based are subject to significant economic and other uncertainties. It is likely that some assumptions will not materialize because of unanticipated events and circumstances. Accordingly, the actual results achieved throughout the projection period are likely to vary, perhaps substantially, from the projected results, either positively or negatively. The Debtors do not anticipate that they will update these projections at or prior to the Confirmation Hearing, furnish updated projections or otherwise make any updated projections available to the Holders of Claims or Interests, provided, however, that the Debtors reserve the right to prepare and furnish an updated Wind-Down Budget which in their absolute discretion they deem appropriate.

VIII. RISK FACTORS

(A) Introduction

This section summarizes some of the risks associated with the Plan, but is not exhaustive and must be supplemented by the analysis and evaluation of the Plan and this Disclosure Statement as a whole by each Holder of a Claim or Interest with such Holder's own advisors.

HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK

FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN, ITS IMPLEMENTATION OR ITS SUCCESS.

(B) Bankruptcy Risks

1. Risks Relating to Confirmation

For the Plan to be confirmed, each Impaired Class is given the opportunity to vote to accept or reject the Plan, except for those Classes which will not receive any distribution under the Plan and which are, therefore, presumed to have rejected the Plan. There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan.

If one or more of the Impaired Classes vote to reject the Plan, then the Debtors may request that the Bankruptcy Court confirm the Plan by application of the "cramdown" procedures available under section 1129(b) of the Bankruptcy Code. There can be no assurance, however, that the Debtors will be able to use the cramdown provisions of the Bankruptcy Code for Confirmation of the Plan.

If the Plan, or a plan determined not to require resolicitation of any Classes of Claims or Interests by the Bankruptcy Court, were not to be confirmed, it is unclear what distribution Holders of Claims and Interests ultimately would receive with respect to their Claims and Interests. If an alternative plan could not be agreed to, it is likely that Holders of Claims and Interests would receive less than they would have received pursuant to this Plan.

Any objection to the Plan by a member of a Class of Claims or Interests could also either prevent Confirmation of the Plan or delay such Confirmation for a significant period of time.

2. Risks Associated with Asset Purchase Agreement

In connection with the sale of the Purchased Assets to the Purchaser, under the Asset Purchase Agreement, the Debtors and the Purchaser established two escrow accounts: an adjustment escrow in the amount of $3,825,000 to cover certain purchase price adjustments under the Asset Purchase Agreement reflecting potential changes in value of the Debtors' current assets between the Petition Date and the closing date of the sale, and an indemnity escrow in the amount of $3,900,000 to cover certain indemnification obligations of the Debtors under the Asset Purchase Agreement. Both escrows are held by Colonial Bank under an Escrow Agreement dated December 16, 2004. The adjustment escrow is to be held pending determining of any purchase price adjustments under the Asset Purchase Agreement; such determination is expected to be completed prior to the Effective Date. The indemnification escrow is to be held for up to one year following the closing of the sale to the Purchaser (i.e., through February 26, 2006). The Purchaser believes that the purchase price adjustment under the Asset Purchase Agreement is a price reduction of $10,405,000, an amount that exceeds the amounts held under the Escrow Agreement. The Debtors do not agree with the purchase price adjustment claimed by the Purchaser and the parties continue to negotiate the amount of the purchase price adjustment, in accordance with the terms of the Asset Purchase Agreement. The Asset Purchase Agreement

and all documents executed in connection with or in furtherance thereof, will remain binding on PEI, the Debtors' Estates and the Liquidating Trust after the Effective Date.

3. Other Bankruptcy Risks

If Administrative Claims or Priority Claims are determined to be Allowed in amounts greatly exceeding the Debtors' estimates, then Distributions on account of allowed Unsecured Claims may be reduced.

IX. TAX IMPLICATIONS

The Debtors have not obtained rulings from the Internal Revenue Service regarding the federal tax implications of the Plan.

THE DEBTORS ARE NOT OFFERING TAX ADVICE TO ANY CREDITOR OR INTEREST HOLDER AND THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSIDERED TO CONTAIN ANY SPECIFIC ADVICE OR INSTRUCTION CONSIDERING THE TAX TREATMENT OF ANY CLAIM OR INTEREST. EACH CREDITOR AND INTEREST HOLDER IS URGED TO CONSULT WITH ITS OWN LEGAL, ACCOUNTING OR OTHER ADVISOR CONCERNING THE TAX TREATMENT OF ITS CLAIM, INTEREST AND ANY DISTRIBUTION FROM OR ON BEHALF OF THE DEBTORS PURSUANT TO THE PLAN OR OTHERWISE.

X. ALTERNATIVES TO PLAN

If the Plan is not confirmed and consummated, the Debtors' alternatives include (i) liquidation of the Debtors under Chapter 7 of the Bankruptcy Code and (ii) the preparation and presentation of an alternative plan or plans.

(A) Chapter 7 Liquidation

If no Chapter 11 plan can be confirmed, the Chapter 11 Case may be converted to Chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the remaining assets of the Debtors. A discussion of the effect that a Chapter 7 liquidation would have on the recovery of Holders of Claims and Interests is set forth in Section VI(B)(2)-(3), above. The Debtors believe that liquidation under Chapter 7 would result in lesser distributions being made to creditors than those provided for in the Plan because of the additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals to assist such trustee.

(B) Alternate Plan

If the Plan is not confirmed, the Debtors or any other party in interest in these Chapter 11 Cases could attempt to formulate and propose a different plan or plans of reorganization. Such plan could involve an orderly liquidation or distribution of the Debtors' assets under Chapter 11. The Debtors do not believe an alternative Chapter 11 plan can be formulated that provides greater distributions to creditors than is provided under the Plan. The Plan is premised on distributions to creditors under the priorities established by the Bankruptcy Code within a short

period of time. An alternative Chapter 11 plan likely would involve further negotiations and formulation – increasing administrative expenses and thus reducing creditor distributions – and likely would delay, perhaps significantly, the timing of distributions to creditors.

XI. CONCLUSION

Voting on the Plan by each Holder of a Claim or Interest entitled to vote is important. After carefully reviewing the Plan and this Disclosure Statement, please indicate your vote on the enclosed Ballot(s) and return same in the pre-addressed envelope provided for this purpose to the Voting Agent by the Voting Termination Date.

XII. DISCLOSURE STATEMENT EXHIBITS

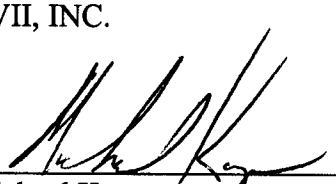
Exhibit A: Plan

Exhibit B: Estimate of Potential Distributions

Exhibit C: Wind-down Budget

Dated: April 6, 2005

TSLC I, Inc.
TSLC III, INC.
TSLC IV, INC.
TSLC V, INC.
TSLC VI, INC.
TSLC VII, INC.

By: 
Michael Kagan
Chief Executive Officer

Respectfully submitted,

AKERMAN SENTERFITT

By: _____

Denise D. Dell-Powell, Esquire
Florida Bar No.: 0890472
Erik P. Kimball, Esquire
Florida Bar No.: 0131334
Citrus Center, 17th Floor
255 South Orange Avenue
Post Office Box 231
Orlando, Florida 32802-0231
Phone: (407) 843-7860
Facsimile: (407) 843-6610

and

Michael P. Horan, Esquire
Florida Bar No.: 0307741
Wachovia Center, Suite 1500
P. O. Box 3273
Tampa, Florida 33601-3273
Telephone: (813) 223-3273
Facsimile: (813) 223-2837