THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	
	:	**Chapter 11 Case No.**
WESTPOINT STEVENS INC., et al.,	:	**03-13532 (RDD)**
	:	**(Jointly Administered)**
	:	
Debtors.	:	

DISCLOSURE STATEMENT FOR DEBTORS' AMENDED JOINT PLAN

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Debtors in Possession
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Dated: June 10, 2005

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Exhibits

GLOSSARY

Administrative Expense Claim	Any expense relating to the administration of the chapter 11 cases, including actual and necessary costs and expenses of preserving the Debtors' estates and operating the Debtors' businesses, any indebtedness or obligations incurred or assumed during the chapter 11 cases, allowances for compensation and reimbursement of expenses to the extent Allowed by the Bankruptcy Court, Claims arising under the DIP Credit Agreement, and certain statutory fees chargeable against the Debtors' estates.
Asset Purchase Agreement or APA	The Asset Purchase Agreement entered into by and among the Debtors and the Purchaser in accordance with the Bidding Procedures Order for the sale of all or substantially all of the Debtors' assets, which will be approved by the Bankruptcy Court at the Purchaser Selection Hearing. A copy of the APA will be filed as an exhibit to the Plan after the Purchaser Selection Hearing.
Assigned Contracts & Leases	The executory contracts and unexpired leases that will be assumed and assigned in accordance with section 8 of the Plan and the APA.
Assumed Administrative Expense Claim	Any Administrative Expense Claim that is being assumed by the Purchaser pursuant to the APA.
Avoidance Actions	All Claims and/or causes of action arising under or authorized by sections 510, 542 through 551, and 553 of the Bankruptcy Code that belong to the Debtors, the Debtors in Possession and the Debtors' estates.
Bankruptcy Code	Title 11 of the United States Code.
Bankruptcy Court	The United States Bankruptcy Court for the Southern District of New York.
Beneficial Interests	Collectively, Series A Beneficial Interests, Series B Beneficial Interests, and Series C Beneficial Interests in the Liquidating Trust.
Bidding Procedures	The procedures for bidding for all or substantially all of the Debtors' assets set forth in the Bidding Procedures Order.
Bidding Procedures Order	The order approving the Bidding Procedures and forms of notice in connection therewith in connection with the sale of substantially all of the Debtors' assets free and clear of all liens, Claims, encumbrances, and other interests, which was entered by the Bankruptcy Court on April 22, 2005.
Business Day	Any day other than a Saturday, a Sunday, or any other day on which banking institutions in New York, New York are required to close by law or executive order.
Cash	Legal tender of the United States of America.
Claim	Has the meaning set forth in section 101 of the Bankruptcy Code.
Closing	The date designated for the consummation of the sale as set forth in the APA.
Collateral	Substantially all the assets of the Debtors granted to secure the Claims arising under the First Lien Lender Agreement and the Second Lien Lender Agreement.
Commencement Date	The date the Debtors' chapter 11 cases were commenced (June 1, 2003).
Confirmation Date	The date on which the Clerk of the Bankruptcy Court enters the Confirmation Order.
Confirmation Hearing	The hearing to be held by the Bankruptcy Court regarding confirmation of the Plan, as such hearing may be adjourned or continued from time to time.
Confirmation Order	The order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.
Creditors Committee	The statutory committee of unsecured creditors appointed in the Debtors' chapter 11 cases, as constituted from time to time.
Debtors	WestPoint Stevens Inc., WestPoint Stevens Inc. I, J.P. Stevens & Co., Inc., J.P. Stevens Enterprises, Inc. and WestPoint Stevens Stores Inc.
DIP Credit Agreement	That certain Debtor-In-Possession Credit Agreement, dated as of June 5, 2003, as amended, among the Debtors, Bank of America, as Administrative Agent, Wachovia Bank, National Association, as Syndication Agent, and the other lenders who are parties thereto.
Disbursing Agent	Any entity (including any applicable Debtor or the Liquidating Trustee, if it acts in such capacity) acting in its capacity as a disbursing agent under Section 6.5 of the Plan.
Disclosure Statement	This document together with the annexed exhibits and schedules.

Disclosure Statement Hearing	The hearing to approve the Disclosure Statement which will be held before the Bankruptcy Court on July 12, 2005 (as such hearing may be adjourned from time to time).
Distribution Record Date	Confirmation Date.
Effective Date	A Business Day selected by the Debtors on or after the Confirmation Date on which the conditions to the effectiveness of the Plan have been satisfied or waived and on which there is no stay of the order confirming the Plan in effect. The Debtors expect that the Effective Date will be no later than 120 days after entry of an order confirming the Plan.
Equity Interest	The interest of any holder of an equity security of any of the Debtors represented by any issued and outstanding shares of common or preferred stock or other instrument evidencing a present ownership interest in any of the Debtors, whether or not transferable, or any option, warrant, or right, contractual or otherwise, to acquire any such interest.
First Lien Lender Administrative Agent	Beal Bank (as successor to Bank of America N.A.), as administrative agent under the First Lien Lender Agreement and any successor agent thereto.
First Lien Lender Agreement	That certain Second Amended and Restated Credit Agreement, dated as of June 9, 1998, among WestPoint Stevens Inc., as Borrower, WestPoint Stevens (U.K.) Limited and WestPoint Stevens (Europe) Limited, as Foreign Borrowers, Bank of America, N.A., as Issuing Lender, Swingline Lender, and Administrative Agent, and the several banks and other financial institutions from time to time parties thereto.
First Lien Lender Claim	The Claims against any of the Debtors arising under the First Lien Lender Agreement (inclusive of post-petition interest) up to the value of the Collateral, net of all Cash payments made by the Debtors to the holders of such Claims on or after the Commencement Date.
General Unsecured Claim	Any general unsecured Claim against the Debtors (other than a Litigation Claim).
Icahn	Carl Icahn and his affiliates.
Indenture Trustee	HSBC Bank USA (as successor to the Bank of New York) as indenture trustee under the Indentures (as described in section V.B.3).
Intercompany Claim	Any Claim held by a wholly-owned Debtor against another wholly-owned Debtor.
Liquidating Trust	The liquidating trust described in section VIII.C hereof.
Litigation Claim	Any Claim related to a personal injury, property damage, products liability, wrongful death, patent liability, environmental damage, antitrust, asbestos, or other similar Claim against any of the Debtors.
NewCo	The entity formed to be the parent company of the Purchaser of all or substantially all of the Debtors' assets.
Non-Assumed Administrative Expense Claim	Any Administrative Expense Claim that is not assumed by Purchaser pursuant to the APA.
Noteholder Claim	Any Claim against any of the Debtors arising under or in connection with the Indentures (as defined in section V.B.3).
Other Secured Claim	Any Claim secured by collateral that is not a DIP, First Lien Lender Claim, or Second Lien Lender Claim.
PBGC Claim	Any Claim of the Pension Benefit Guaranty Corporation against any of the Debtors.
Plan	The Debtors' Amended Joint Plan Under Chapter 11 of the Bankruptcy Code, annexed as Exhibit "A" to this Disclosure Statement.
Plan Supplement	A Supplemental appendix to the Plan that will contain the draft form of the documents to be executed, delivered, assumed, and/or performed in conjunction with the consummation of the Plan on the Effective Date to be filed prior to the Confirmation Hearing.
Priority Tax Claim	A Claim of a governmental entity for taxes that are entitled to priority in payment under the Bankruptcy Code.
Purchaser	The successful bidder selected in accordance with the Bidding Procedures Order and approved by the Bankruptcy Court at the Purchaser Selection Hearing.

Purchaser Selection Hearing	The hearing held by the Bankruptcy Court to confirm the results of the auction held in accordance with the Bidding Procedures at which the Purchaser will be approved.
Purchaser Selection Order	The order entered by the Bankruptcy Court at the Purchaser Selection Hearing approving the Purchaser.
Sale Order	The order approving the APA and the transactions contemplated thereunder including, without limitation, the sale of all or substantially all of the Debtors' assets free and clear of all liens, Claims, encumbrances, and other interests. If the Confirmation Order is entered, it shall be deemed the Sale Order.
Sale Proceeds	The proceeds received pursuant to the APA in connection with the sale of all or substantially all of the Debtors' assets which may include, among other forms of consideration, Cash, stock and/or rights. A detailed exhibit setting forth the specific form of Sale Proceeds to be distributed to creditors pursuant to the Plan and the procedures governing such distribution, including, if applicable, a description of any rights offering to be held in connection with the sale and confirmation of the Plan will be filed as an exhibit to the Plan after the Purchaser Selection Hearing.
Second Lien Lender Administrative Agent	Wilmington Trust Company as administrative agent under the Second Lien Lender Agreement, or any successor agent thereto.
Second Lien Lender Agreement	That certain Second Lien Credit Facility, dated as of June 29, 2001 (and any amendments thereto), among WestPoint, as Borrower, Wilmington Trust Company (as successor to Deutsche Bank Trust Company Americas (f/k/a Bankers Trust Company)), as Administrative Agent, and the banks and other financial institutions from time to time parties thereto.
Second Lien Lender Claim	The Claims arising under the Second-Lien Lender Agreement up to the value of the Collateral less the amount of the First Lien Lender Claims, net of all Cash payments (including post-petition adequate protection payments) made by the Debtors to the holders of such Claims on or after the Commencement Date, and limited to the extent of the value of their Collateral. Any other Claims arising under the Second Lien Lender Agreement will be treated as Administrative Expense Claims or Class E General Unsecured Claims, as determined by the Bankruptcy Court.
Securities Litigation Claim	Any Claim against the Debtors, whether or not the subject of an existing lawsuit, arising from the rescission of a purchase or sale of shares or notes of any of the Debtors, for damages arising from the purchase or sale of any security, or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of any such Claim.
Series A, B, and C Beneficial Interests	The Beneficial Interests in the Liquidating Trust to be distributed to holders of Second Lien Lender Claims (Series A), unpaid (and unassumed) priority and Administrative Expense Claims (Series B), and General Unsecured Claims, Noteholder Claims and PBGC Claims (Series C) as detailed in Section II.B below.
Steering Committee	Certain institutions acting as a steering committee of holders of First Lien Claims (Contrarian Funds, LLC, Satellite Senior Income Fund, LLC, CP Capital Investments, LLC, Wayland Distressed Opportunities Fund I-B, LLC, and Wayland Distressed Opportunities Fund I-C, LLC) owning or controlling approximately 51% of the First Lien Lender Claims
Tax Code	Title 26 of the United States Code.
Voting Agent	See section I of this Disclosure Statement for contact information.
Voting Deadline	August 5, 2005, which is the last date for the actual *receipt* of ballots to accept or reject the Plan.
WestPoint, WPSTV or the Company	WestPoint Stevens Inc., a Delaware corporation, the parent debtor or debtor in possession, as the context requires.

I.

Introduction

WestPoint Stevens Inc. and its subsidiaries listed on Exhibit "A" to the Plan are soliciting votes to accept or reject the Plan. A copy of the Plan is attached as Exhibit "A" to this Disclosure Statement. *Please refer to the Glossary set forth herein and in the Plan for definitions of most terms used in this Disclosure Statement. Some terms that are used only in a specific section may be defined in that section.*

The Plan is based on the sale of substantially all the assets of the Debtors to the Purchaser pursuant to the terms of the APA. As described below, proceeds from the sale will be distributed first to creditors whose Claims are secured by such property. The majority of administrative expenses will be assumed by the Purchaser or will be paid on the Effective Date. Any property remaining with the Debtors after the sale will be liquidated and distributed to holders of unpaid and unassumed administrative expenses and priority Claims and unsecured creditors, as described below. See section VII for a description of the APA and the proceeds to be received by creditors.

The Plan constitutes a motion seeking entry of an order pursuant to sections 105(a), 362, 363, 365, 1123, and 1129 of the Bankruptcy Code, (a) approving the Debtors' entry into the APA with the Purchaser, (b) authorizing the sale to the Purchaser of substantially all of the assets of the Debtors as specified in the APA and (c) authorizing the assumption by the Debtors and the assignment to the Purchaser of certain executory contracts and unexpired leases of the Debtors specified in the APA. In the event that the requirements for confirming a chapter 11 plan cannot be satisfied or the Bankruptcy Court denies confirmation of the Plan at the Confirmation Hearing, the Debtors may request that the Confirmation Hearing constitute a Sale Hearing to consider authorization for the Debtors to sell their assets, pursuant to the APA, free and clear of all liens, Claims, encumbrances, and other interests to the Purchaser pursuant to sections 363 and 365 of the Bankruptcy Code. See section X for a description of factors that could affect whether the Plan will be confirmed.

The purpose of this Disclosure Statement is to provide information of a kind and in sufficient detail to enable the creditors of the Debtors who are entitled to vote on the Plan to make an informed decision on whether to accept or reject the Plan. In summary, this Disclosure Statement includes or describes:

Section	Summary of Contents
II	the treatment of creditors and stockholders of the Debtors under the Plan
III	which parties in interest are entitled to vote how to vote to accept or reject the Plan
IV	summary of projections and valuation
V	the businesses of the Debtors why the Debtors commenced their chapter 11 cases
VI	significant events that have occurred in the chapter 11 cases
VII	description of the sale process and the APA
VIII	means of implementation of the Plan establishment and implementation of the Liquidating Trust

IX	how distributions under the Plan will be made how disputed Claims will be resolved
X	certain factors creditors should consider before voting
XI	the procedure for confirming the Plan a liquidation analysis
XII	alternatives to the Plan
XIII	certain tax consequences

Please note that if there is any inconsistency between the Plan (including the attached exhibits and any supplements to the Plan) and the descriptions in the Disclosure Statement, the terms of the Plan (and the attached exhibits and any supplements to the Plan) will govern.

Additional financial and other information about the Debtors can be found in the annual report on Form 10-K for the year ended December 31, 2003, which was filed by WPSTV with the Securities and Exchange Commission (the "SEC") on March 15, 2004, the quarterly reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004, and September 30, 2004, which were filed by WPSTV on May 10, 2004, August 9, 2004, and November 9, 2004, respectively, WPSTV's 2004 Annual Review annexed hereto as Exhibit "B", which includes its unaudited financial statements for the fiscal year ended December 31, 2004, and WPSTV's unaudited financial statements for the quarter ended March 31, 2005, annexed hereto as Exhibit "C." Copies of the SEC filings may be obtained over the internet at www.sec.gov or on the Company's website at www.westpointstevens.com. The Debtors' monthly operating reports are available on the Bankruptcy Court's Electronic Case Filing System which can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court. See section IV for important information that should be considered when reviewing WPSTV's financial information.

This Disclosure Statement and the Plan are the only materials creditors should use to determine whether to vote to accept or reject the Plan.

The *last day* to vote to accept or reject the Plan is August 5, 2005. To be counted, your ballot must be actually *received* by the Voting Agent by this date.

The *record date* for determining which creditors may vote on the Plan is July 12, 2005.

The Plan was developed in connection with certain rulings and after receiving instructions from the Bankruptcy Court at the Bidding Procedures Hearing. The Debtors believe that approval of the Plan is their best chance to maximize recoveries for their creditors.

Recommendation: The Debtors urge creditors to vote to accept the Plan.

Additional copies of this Disclosure Statement are available upon request made to the Voting Agent, at the following address:

Voting Agent	
For Voting Classes A, B, C, D, E, and G: Bankruptcy Services, LLC 757 Third Avenue 3rd Floor New York, NY 10017 (Attn: WestPoint Stevens Inc.)	**For Voting Class F:** Financial Balloting Group LLC 757 Third Avenue 3rd Floor New York, NY 10017 (Attn: WestPoint Stevens Inc.)

The summaries of the Plan and other documents related to the restructuring of the Debtors are qualified in their entirety by the Plan, its exhibits, and the documents and exhibits contained in the Plan Supplement. The Plan Supplement will be filed with the Bankruptcy Court prior to the Confirmation Hearing, but no later than 5 days before the Voting Deadline. Documents to be included in the Plan Supplement will also be posted at www.westpointstevens.com as they become available, but no later than 5 days before the Voting Deadline. The financial and other information included in this Disclosure Statement are for purposes of soliciting acceptances of the Plan and are being communicated for settlement purposes only.

The Bankruptcy Code provides that only creditors who vote on the Plan will be counted for purposes of determining whether the requisite acceptances have been attained. Failure to timely deliver a properly completed ballot by the Voting Deadline will constitute an abstention (i.e. will not be counted as either an acceptance or a rejection). Any improperly completed or late ballot may not be counted.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NOR HAS THE COMMISSION PASSED ON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREWITH. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL INCOME TAX ISSUES CONTAINED OR REFLECTED IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE HOLDER UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

II.

Treatment of Creditors and Stockholders Under the Plan

The Plan governs the treatment of Claims against and Equity Interests in each of the five separate Debtors in the chapter 11 cases. The table listed in section II.A below summarizes the treatment under the Plan for each class. The table is followed by a description of the types of Claims or Equity Interests in each class and a description of the property to be distributed under the Plan. Sections X.B and C discuss certain legal issues affecting the trading of securities issued pursuant to or in connection with the sale of the Debtors' assets and the Plan.

A. Summary of Classification and Treatment

The following table divides the Claims against and Equity Interests in the Debtors into separate classes and summarizes the treatment for each class. The table also identifies which classes are entitled to vote on the Plan, based on rules set forth in the Bankruptcy Code. Finally, the table indicates an estimated recovery for each class. **Important Note:** As described in Section V.C. below, the textile industry is in a state of great flux. Increased foreign competition has resulted in numerous uncertainties. These uncertainties and other risks related to the Debtors make it difficult to determine a precise value for the Debtors and the equity interests that may be distributed in connection with the sale of the Debtors' assets to the Purchaser. The recoveries described in the following table represent the Debtors' best estimates of those values, given the information available at this time. These estimates do not predict the potential trading prices for securities issued in connection with the sale of the Debtors' assets to the Purchaser. Unless otherwise specified, the information in the following table and in the sections below are based on calculations as of May 31, 2005. The estimation of recoveries makes the following assumptions:

? The Effective Date is assumed to occur on August 31, 2005.

? The estimated aggregate amount of Allowed unsecured Claims (including General Unsecured Claims, Noteholder Claims, and PBGC Claims) against the Debtors is $1,294 million – see the discussion below on the estimated amounts and types of Claims comprising these classes.

Class	Description	Treatment	Entitled to Vote	Amount of Claim(s)	Estimated Recovery
	DIP Claims	Paid In Full.	No	$113,137,000	100%
--	Assumed Administrative Expense Claims	Assumed, performed, and paid in full when due by Purchaser.	No		100%
--	Non-Assumed Administrative Expense Claims	Paid in full (or as otherwise agreed) to the extent funds are available. If insufficient funds are available, the Debtors will distribute any available Cash and Sale Proceeds, as well as the Series B Beneficial Interests in the following order of priority (distributed pro rata within each level of priority):	No	N/A	100%
	Priority Non-Tax Claims		Yes		
		- Non-Assumed Administrative Expense Claims	No		
A	Priority Tax Claim	- Priority Non-Tax Claims - Priority Tax Claims			
B	Other Secured Claims	Assumed and paid in full by Purchaser over a six-month period following the Effective Date.	Yes	$311,851	100%
C	First Lien Lender Claims	Sale Proceeds.	Yes	$483,897,447	tbd
D	Second Lien Lender Claims	(i) Sale Proceeds remaining after the First Lien Lender Claims have been paid in full and (ii) the	Yes	$165,000,000	tbd

Class	Description	Treatment	Entitled to Vote	Amount of Claim(s)	Estimated Recovery
		Series A Beneficial Interests.			
E	General Unsecured Claims	A pro rata distribution of (i) the Sale Proceeds remaining (if any) after the First Lien Lender Claims, Second Lien Lender Claims, and all other priority and Administrative Expense Claims have been paid in full or assumed and (ii) the Series C Beneficial Interests.	Yes	$43,576,283	tbd
F	Noteholder Claims			$1,036,312,500	
G	PBGC Claims			$214,000,000[1]	
H	Litigation Claims	See section IX.A.3.	No		tbd
I	Intercompany Claims	See section II.B.9.	Yes		0%
J	Securities Litigation Claims	No Distribution.	No		0%
K	Punitive Damage Claims	No Distribution.	No		0%
L	Equity Interests	No Distribution.	No		0%

B. Description of the Classes For the Debtors

Unless otherwise indicated, the characteristics and amount of the Claims or Equity Interests in the following classes are based on the books and records of the Debtors. Each subclass is treated as a separate class for purposes of the Plan and the Bankruptcy Code. Only Claims that are "allowed" under the Bankruptcy Code or by the Bankruptcy Court will receive any distribution under the Plan.

1. *Priority Non-Tax Claims (Class A)*.

The Claims in Class A are the types identified in subsections 507(a)(3) – (a)(7) and 507(a)(9) of the Bankruptcy Code. For the Debtors, these Claims relate primarily to prepetition wages and employee benefit plan contributions outstanding on the Commencement Date, except to the extent paid after the Commencement Date pursuant to an order entered by the Bankruptcy Court. The Debtors estimate that the amount of Claims in Class A as of August 31, 2005 will be $___.

If not otherwise assumed by the Purchaser under the APA, each holder of a Class A Priority Non-Tax Claim shall be paid in full in Cash (to the extent available) on the later of (i) the Effective Date, (ii) the date such Claim becomes Allowed, and (iii) as otherwise agreed by the parties. If insufficient funds exist to make such Cash payments, the Debtors intend to use (i) Cash and Sale Proceeds not otherwise distributed to holders of Claims in Class C and Class D and holders of Non-Assumed Administrative Expense Claims (described below) and (ii) Series B Beneficial Interests not otherwise distributed to holders of Non-Assumed Administrative Expense Claims to make a pro rata distribution to holders of Claims in Class A.

To the extent the Claims in Class A are not assumed by the Purchaser under the APA, it is likely that such Claims will receive little, if any, recovery under the Plan. However, if the Plan is not confirmed, it is certain that such Claims will receive no recovery. The failure to object to confirmation of the Plan by a holder of a Priority Non-Tax Claim prior to any deadline set by the Bankruptcy Court shall be deemed as such holder's consent and agreement to receive a treatment for such Claim that is different

[1] Reflects the amount the PBGC has asserted in its proofs of claim.

from that set forth in section 1129(a)(9) of the Bankruptcy Code, which otherwise requires payment in full.

Class A is impaired and the holders of Claims in Class A are entitled to vote to accept or reject the Plan.

2. *Other Secured Claims (Class B).*

This class consists of the Claims of miscellaneous creditors secured under equipment leases, mechanics and tax liens, liens of landlords, or similar Claims. The Debtors estimate that the Claims in this class total $311,851.

Allowed Class B Other Secured Claims will be paid in full by the Purchaser over a six-month period following the Effective Date. The Debtors and the Purchaser maintain the right to challenge the validity, nature, and perfection of, and to avoid pursuant to the provisions of the Bankruptcy Code and other applicable law, any purported liens related to the Other Secured Claims.

Class B is impaired and the holders of Claims in Class B are entitled to vote to accept or reject the Plan.

3. *First Lien Lender Claims (Class C).*

Class C consists of the First Lien Lender Claims which are based on amounts owed by WestPoint under the First Lien Lender Agreement. The obligations of the Debtors are secured by a lien on the Collateral.

Pursuant to that certain Final Order Pursuant to Sections 361, 363, and 364(d)(1) of the Bankruptcy Code and Rule 4001 of the Federal Rules of Bankruptcy Procedure Providing the Pre-Petition Secured Lenders Adequate Protection, dated as of June 18, 2003 (the "Adequate Protection Order"), the Debtors have paid holders of First Lien Lender Claims (the "First Lien Lenders") $89,350,930 in adequate protection payments.

The following table shows the calculation of the net Claims arising under the First Lien Lender Agreement, assuming the accrual of postpetition interest and the application of adequate protection payments against all accrued interest:

Instrument	Amount
Principal	$489,344,450
Foreign Currency Loans Repricing into US$	$1,344,425
Prepetition Interest	$6,287,334
Outstanding Letters of Credit	$35,190,000
Postpetition Interest	$92,052,157
Less:	
Adequate protection payments	$(98,339,491)
Replacement of letters of credit	$(35,190,000)
Proceeds from Asset Sales	$(6,791,428)
Total	$483,897,447

The net Claims described in this table are Class C Claims to the extent of the value of the Collateral. Any excess will be General Unsecured Claims in Class E (see below).

The holders of Claims in Class C will receive their pro rata share of the Sale Proceeds, subject in all respects to the carve-out approved by the Bankruptcy Court in the Final DIP Order and the Adequate Protection Order. Proceeds remaining, if any, after full payment to Class C will be distributed to other holders of Claims as described below. The Sale Proceeds, to the extent available, will be

distributed in the following order: (i) Cash, until all Cash has been distributed, (ii) stock, until all stock has been distributed, and (iii) rights, until all rights have been distributed.

Class C is impaired and the holders of Claims in Class C are entitled to vote to accept or reject the Plan.

4. *Second Lien Lender Claim (Class D).*

Class D consists of the Second Lien Lender Claims which are based on amounts owed by WestPoint under the Second Lien Lender Agreement. The obligations of the Debtors are secured by a second lien on the Collateral.

Pursuant to the Adequate Protection Order, the Debtors paid holders of the Second Lien Lender Claims (the "Second Lien Lenders") $51,625,797 in adequate protection payments. In accordance with an agreement reached between the First Lien Lenders and the Second Lien Lenders, as of August 31, 2004, all adequate protection payments due to be paid to the Second Lien Lenders under the Adequate Protection Order after such date have been paid into an escrow account. Approximately $18,492,767 has been paid into the escrow account. On May 10, 2005, the Second Lien Lender Administrative Agent, on behalf of itself and the Second Lien Lenders, filed a motion with the Bankruptcy Court requesting the dissolution of the escrow account, payment of the escrowed amounts to the Second Lien Lenders, and the reinstatement of direct payment of the adequate protection payments to the Second Lien Lenders. Certain of the Second Lien Lenders have joined in the motion. The motion is currently scheduled to be heard by the Bankruptcy Court on June 24, 2005.

The following table shows the calculation of the net Claims arising under the Second Lien Lender Agreement, assuming the accrual of postpetition interest and the application of adequate protection payments against all accrued interest:

Instrument	Amount
Principal	$165,000,000
Prepetition Interest	$4,271,918
Postpetition Interest	$52,416,327
Less:	
Adequate protection payments	$(33,133,030)
Adequate protection payments (in escrow)	$(23,555,215)
Total	$165,000,000

The Claims described in this table are Class D Claims to the extent that the value of the Collateral exceeds the amount of the Claims in Class C (the First Lien Lender Claims, see above). Any portion of the Claims arising under the Second Lien Lender Agreement that are not part of Class D will be either (i) superpriority expenses of administration (based on any decline in the value of the Collateral as provided in the Adequate Protection Order and to the extent determined by the Bankruptcy Court) or (ii) General Unsecured Claims in Class E (see below).

The Bankruptcy Court will determine (i) the amount of the Claims in Class D, (ii) the amount of any Claim for a superpriority expense of administration, (iii) the application of adequate protection payments actually received by the Second Lien Lenders, and (iv) whether the adequate protection payments held in escrow should be distributed to the holders of the First Lien Lender Claims (Class C) or the holders of the Second Lien Lender Claims (Class D).

The holders of Class D Claims will receive their pro rata portion of the Sale Proceeds remaining (if any) after payment in full of the First Lien Lender Claims, until such Second Lien Lender Claims have been paid or otherwise satisfied in full, and, to the extent such Claims have not been satisfied

in full from the Sale Proceeds, their pro rata portion of the Series A Beneficial Interests. Proceeds remaining, if any, after full payment to Class D will be distributed to other holders of Claims, as described below. The Sale Proceeds, to the extent available, will be distributed in the following order: (i) Cash, until all Cash has been distributed, (ii) stock, until all stock has been distributed, and (iii) rights, until all rights have been distributed.

The Series A Beneficial Interests will be distributed to Second Lien Lenders only if the Bankruptcy Court determines that the Second Lien Lenders are entitled to a superpriority Administrative Expense Claim on account of a decline (if any) in value from the Commencement Date of the Collateral. In the event the value of the Liquidating Trust Assets does not exceed the amount of the superpriority Administrative Expense Claim awarded to the Second Lien Lenders by the Bankruptcy Court, there will be no Liquidating Trust created. Instead, the Avoidance Actions and other assets designated for the Liquidating Trust will be assigned directly to the Second Lien Lender Administrative Agent for distribution to holders of Second Lien Lender Claims only. If the proceeds being distributed to the Second Lien Lenders are more than sufficient to repay the Second Lien Lender Claims in full, any additional proceeds will be distributed to junior classes as described below. All distributions to Second Lien Lenders under the Plan are subject in all respects to the carve-out approved by the Bankruptcy Court in the Final DIP Order and the Adequate Protection Order.

Class D is impaired and the holders of Claims in Class D are entitled to vote to accept or reject the Plan.

5. *General Unsecured Claims (Class E).*

Class E consists of the Claims of suppliers and other vendors, landlords with prepetition rent Claims and/or Claims based on rejection of leases, and/or property damage claimants to the extent not covered by insurance, parties to contracts with the Debtors that are being rejected, Litigation Claims, and miscellaneous other prepetition unsecured Claims. The aggregate amount of General Unsecured Claims timely filed against the Debtors, excluding Noteholder Claims in Class F and PBGC Claims in Class G, exceeds $157,250,892. Based on prior orders of the Bankruptcy Court, agreements with certain parties and estimates of potential damages from the rejection of prepetition executory contracts (see section IX.B below), the Debtors estimate that the Claims in this class will be $43,576,283.

Holders of General Unsecured Claims (Class E) that are Allowed by the Bankruptcy Court and holders of Claims in Class F (Noteholder Claims) and Class G (PBGC Claims) will share, on a pro rata basis, (i) any portion of the Sale Proceeds remaining after payment in full of all Claims arising under the First Lien Lender Agreement (Class C), the Second Lien Lender Agreement (Class D), and all priority and Administrative Expense Claims, and (ii) the Series C Beneficial Interests. The Sale Proceeds, to the extent available, will be distributed in the following order: (i) Cash, until all Cash has been distributed, (ii) stock, until all stock has been distributed, and (iii) rights, until all rights have been distributed.

Series C Beneficial Interests will be distributed only if the value of the Liquidating Trust Assets exceeds the amount of any superpriority Administrative Expense Claim awarded to the holders of the Second Lien Lender Claims. Distribution of the Liquidating Trust Assets will be made first to holders of Series A Beneficial Interests (superpriority Administrative Expense Claims) and then to holders of Series B Beneficial Interests (unpaid priority and Administrative Expense Claims), and then, only if any assets remain, to holders of Series C Beneficial Interests.

Class E is impaired and the holders of Claims in Class E are entitled to vote to accept or reject the Plan.

6. *Noteholder Claims (Class F).*

The Claims in this class (the Noteholder Claims) total $1,036,312,500 and are based on amounts WPSTV owes under the following instruments and agreements:

Issue and Indenture	Outstanding Principal
7-7/8% senior unsecured notes due 2005	$525,000,000
Indenture, dated as of June 9, 1998, between WestPoint Stevens Inc. and HSBC Bank USA (as successor to The Bank of New York), as Trustee.	
7-7/8% senior unsecured notes due 2008	$475,000,000
Indenture, dated as of June 9, 1998, between WestPoint Stevens Inc. and HSBC Bank USA (as successor to The Bank of New York), as Trustee.	
Total Principal	$1,000,000,000
Plus: Accrued Pre-Petition Interest	$36,312,500
Total	$1,036,312,500.

Holders of Noteholder Claims (Class F), General Unsecured Claims (Class E) that are Allowed by the Bankruptcy Court, and Class G (PBGC Claims) will share, on a pro rata basis, (i) any portion of the Sale Proceeds remaining after payment in full of all Claims arising under the First Lien Lender Agreement (Class C), the Second Lien Lender Agreement (Class D), and all priority and Administrative Expense Claims, and (ii) the Series C Beneficial Interests.

Series C Beneficial Interests will be distributed only if the value of the Liquidating Trust Assets exceeds the amount of any superpriority Administrative Expense Claim awarded to the holders of the Second Lien Lender Claims. Distribution of the Liquidating Trust Assets will be made first to holders of Series A Beneficial Interests (superpriority Administrative Expense Claims) and then to holders of Series B Beneficial Interests (unpaid priority and Administrative Expense Claims), and then, only if any assets remain, to holders of Series C Beneficial Interests. The Sale Proceeds, to the extent available, will be distributed in the following order: (i) Cash, until all Cash has been distributed, (ii) stock, until all stock has been distributed, and (iii) rights, until all rights have been distributed.

Class F is impaired and the holders of Claims in Class F are entitled to vote to accept or reject the Plan.

7. *PBGC Claims (Class G).*

Class G consists of Claims arising out of the Debtors' termination of their defined benefit pension plan. The PBGC has asserted Claims of $214,000,000. Under Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA"), the PBGC guarantees the payment of certain pension benefits upon the termination of a single employer pension plan covered by Title IV. Upon termination of a pension plan, an employer and each member of its control group become jointly and severally liable to the PBGC for the total amount of the pension plan's underfunded benefit liabilities.

Holders of PBGC Claims (Class G), General Unsecured Claims (Class E) that are Allowed by the Bankruptcy Court and holders of Claims in Class F (Noteholder Claims) will share, on a pro rata basis, (i) any portion of the Sale Proceeds remaining after payment in full of all Claims arising under the First Lien Lender Agreement (Class C), the Second Lien Lender Agreement (Class D), and all priority and Administrative Expense Claims, and (ii) the Series C Beneficial Interests. The Sale Proceeds, to the extent available, will be distributed in the following order: (i) Cash, until all Cash has been

distributed, (ii) stock, until all stock has been distributed, and (iii) rights, until all rights have been distributed.

Series C Beneficial Interests will be distributed only if the value of the Liquidating Trust Assets exceeds the amount of any superpriority Administrative Expense Claim awarded to the holders of the Second Lien Lender Claims. Distribution of the Liquidating Trust Assets will be made first to holders of Series A Beneficial Interests (superpriority Administrative Expense Claims) and then to holders of Series B Beneficial Interests (unpaid priority and Administrative Expense Claims), and then, only if any assets remain, to holders of Series C Beneficial Interests.

Class G is impaired and holders of Claims in Class G are entitled to vote to accept or reject the Plan.

8. *Litigation Claims (Class H).*

Class H consists of the Litigation Claims against WestPoint. All Litigation Claims not previously Allowed by Final Order are Disputed Claims. At such time as a Disputed Claim becomes an Allowed Claim, the Disbursing Agent shall distribute to the holder of such Claim such holder's pro rata share of the property distributable with respect to the Class in which such Claim belongs.

9. *Intercompany Claims of the Debtors (Class I).*

Class I consists of the Intercompany Claims of WestPoint's subsidiaries against WestPoint. Unless the Debtors determine otherwise, the Intercompany Claims will be eliminated and discharged by offset, the distribution, cancellation, or contribution of such Claim, or otherwise, as determined by the Debtors. These Intercompany Claims will not receive any of the property distributed to other claimholders under the Plan. The Debtors holding such Claims will vote to accept the Plan.

10. *Securities Litigation Claims (Class J).*

Class J consists of all Claims under the securities laws that have been or could have been asserted against WPSTV or any of the other Debtors. Claims under the securities laws include Claims arising from rescission of a purchase or sale of a security of any of the Debtors or for damages for the purchase or sale of such a security. Such Claims also include any Claims for reimbursement or contribution in connection with such Claims for rescission or damages. Securities of the Debtors include any note, bond, debenture, or share of preferred or common stock, whether or not outstanding on the Petition Date. The only Claims in this class of which the Debtors are aware are three Claims filed in connection with the *Geller Action* (for more information on the *Geller Action* see section V.D.1. below). As further described below, each of these Claims is subject to the class action settlement approved by the Bankruptcy Court on October 28, 2004 and the United States District Court for the District of Georgia on November 16, 2004.

Section 510(b) of the Bankruptcy Code subordinates all the Claims in this class to the Claims represented by the underlying securities. The holders of Security Litigation Claims shall receive no distribution of property under the Plan and are deemed to reject the Plan.

11. *Punitive Damage Claims (Class K).*

Class K consists of any Claim against any of the Debtors for any fine, penalty, forfeiture, or attorneys' fees (but only to the extent such attorneys' fees are punitive in nature), or for multiple, exemplary, or punitive damages, to the extent that such fine, penalty, forfeiture, attorneys' fees, or damages is not compensation for actual pecuniary loss suffered by the holder of such Claim and not statutorily prescribed. In general, punitive or exemplary damage Claims are intended to punish or make an example of a wrongdoer. However, in the context of an insolvent entity, such as the Debtors, the

enforcement of punitive Claims would have the effect of punishing unsecured creditors by diluting the ultimate recovery to all unsecured creditors. Moreover, punitive and exemplary damage Claims differ significantly from other General Unsecured Claims which are based upon pecuniary losses. For these reasons, such Claims have been classified separately from other unsecured Claims. The Debtors do not believe that there will be any Allowed Claims in this class. However, several proofs of claim may have been filed concerning personal injury or wrongful death Claims that include punitive or exemplary damage amounts and this class has been included in the Plan for completeness.

To the extent there are any Allowed Claims in this class, they are subordinated to the Claims in other classes. No property will be distributed to the holders of any Allowed Claims in this class from the Debtors' estates. Solely to the extent these Claims are covered by applicable insurance policies, and such insurance is permitted under state law, holders of Allowed Claims in this class shall receive insurance proceeds.

Holders of punitive damage Claims in this class will receive no distribution under the Plan and are deemed to reject the Plan.

12. *Equity Interests (Class L).*

Class L consists of all Equity Interests in WPSTV represented by WPSTV's outstanding common stock and rights to acquire common stock or other equity securities of WPSTV. The holders of Equity Interests in this class will receive no distribution under the Plan. Class L is deemed to reject the Plan.

C. Administrative Expenses

In order to confirm the Plan, Allowed Administrative Expense Claims and Allowed Priority Tax Claims must be paid in full or in a manner otherwise agreeable to the holders of such Claims. Administrative expenses are the actual and necessary costs and expenses of the Debtors' chapter 11 cases. Those expenses include, but are not limited to, postpetition salaries and other benefits for employees, postpetition rent for facilities and offices, amounts owed to vendors providing goods and services during the chapter 11 cases, tax obligations incurred after the commencement of the chapter 11 cases, including interest, if applicable, under relevant state law, and certain statutory fees and expenses. Other administrative expenses include the actual, reasonable, and necessary professional fees and expenses of the professionals retained by the Debtors and the Creditors Committee, the obligations outstanding under the DIP Credit Agreement, and personal injury claims, tort claims or other similar Litigation Claims arising after the Commencement Date, once liquidated, to the extent not covered by insurance. Postpetition personal injury claims covered by insurance, once liquidated, will be paid in the ordinary course of the Debtors' business.

Administrative Expense Claims will either (i) be paid on the Effective Date in full and in Cash (or otherwise provided for), (ii) be paid in some other form agreeable to the holder of such Administrative Expense Claim, (iii) be assumed by the Purchaser and paid in the normal course of the Debtors' ongoing business operations, or (iv) remain as Administrative Expense Claims against the Debtors' estates. In general, Administrative Expense Claims that remain against the Debtors' estates (the Non-Assumed Administrative Expense Claims) are those Claims that are not critical to the ongoing operation of the Debtors' business operations.

If insufficient funds exist to pay Non-Assumed Administrative Expense Claims in full (or in such amounts as agreed with the holders of such Claims), the Debtors intend to use Cash available, Sale Proceeds not otherwise distributed to holders of Claims in Class C and Class D, and Series B Beneficial Interests to make a pro rata distribution to holders of Non-Assumed Administrative Expense Claims.

It is likely that the Non-Assumed Administrative Expense Claims will receive little, if any, recovery under the Plan. However, if the Plan is not confirmed, it is certain that such Claims will receive no recovery. The failure to object to confirmation of the Plan by a holder of a Non-Assumed Administrative Expense Claim prior to any deadline set by the Bankruptcy Court shall be deemed to be such holder's consent and agreement to receive a treatment for such Claim that is different from that set forth in section 1129(a)(9) of the Bankruptcy Code, which otherwise requires payment in full.

1. *Paid or Provided for On the Effective Date.*

Administrative Expense Claims that will be paid in full and in Cash on the Effective Date include all outstanding balances under the DIP Credit Agreement. Outstanding letters of credit under the DIP Credit Agreement will be backstopped with substitute letters of credit arranged by the Purchaser or cash collateralized. The Debtors estimate that Claims under the DIP Credit Agreement will be approximately $110,000,000 as of August 31, 2005. Unpaid professional fees (see description in section II.C.3(b)) up to an aggregate amount of $5,000,000 will be included in this category. This category also includes any Priority Tax Claims (see description in section II.D) secured by the Collateral.

2. *Assumed Administrative Expense Claims.*

Based on the proposals received as of the date hereof, the Assumed Administrative Expense Claims to be assumed by the Purchaser in accordance with the terms of the APA include normal trade payables, accrued salaries, and vacation time. Such Claims will be paid by the Purchaser in the ordinary course of its business operations. The holders of such Claims will have recourse only to the Purchaser and neither the Debtors, their estates, nor their respective properties shall be subject to any such Claims.

3. *Non-Assumed Administrative Expense Claims.*

In general, Non-Assumed Administrative Expense Claims include Claims that the Purchaser has determined are not critical to the Debtors' ongoing business operations. Such Claims may include reimbursement of unpaid professional fees in excess of $5,000,000.

(a) *Payments to Employees*

The Bankruptcy Court has approved retention programs for key employees of the Debtors (the "KERP"). Under the KERP, approximately $22.8 million in incentive payments have accrued since the third quarter of 2003 of which approximately $12.5 million has been paid to employees. Pursuant to the order of the Bankruptcy Court authorizing the KERP, the Debtors are withholding 50% of payments for incentive bonuses until confirmation of a plan. The Debtors estimate that an additional $9.39 million under the KERP remains accrued but unpaid.

Pursuant to an agreement reached between the Debtors and the First Lien Lenders in connection with the extension of the KERP, the Debtors' management agreed to establish an escrow account to hold the payments due to the members of Group 1A (as defined by the KERP) until confirmation of a plan. As of May 31, 2005, $960,330 is being held in that escrow account for the benefit of Group 1A employees. This amount is to be paid to Group 1A employees upon confirmation of a chapter 11 plan.

(b) *Compensation and Reimbursement Claims.*

As of January 31, 2005, the Debtors have paid the various professionals in their chapter 11 cases an aggregate of approximately $37.3 million since the Commencement Date. The Debtors estimate that various professionals will file fee applications relating to periods subsequent to May 31, 2005 for approximately $6.3 million, assuming the effective date of the Plan is August 31, 2005.

Pursuant to that certain Administrative Order For Interim Compensation and Reimbursement of Expenses of Chapter 11 Professionals, dated June 18, 2003 (the "Interim Compensation Order"), the Debtors were instructed to withhold, for all professionals other than Rothschild, 20% of each professionals' monthly fees until the end of the chapter 11 cases (the "Holdback"). The Debtors may seek authority from the Bankruptcy Court to pay part or all of the Holdback prior to confirmation of the Plan. In the event the Debtors do not seek prior Bankruptcy Court approval, then, in connection with confirmation of a plan, the Debtors professionals and the professionals retained by the Creditors Committee, will file final fee applications requesting approval and payment of the Holdback. The Debtors currently estimate that the Holdback outstanding is in the amount of $3,474,146 as of April 30, 2005. Pursuant to that certain Interim Order Authorizing the Retention of Rothschild Inc. as Investment Banker and Financial Advisor for the Debtors, which became a Final Order on June 18, 2003, in addition to its monthly fee, Rothschild is entitled to a completion fee of $6,000,000 upon the consummation of a restructuring transaction. Fifty percent (50%) of Rothschild's monthly fee (above the first $300,000) is to be credited against the completion fee. The Debtors estimate that, as of May 31, 2005, the amount of the completion fee has been reduced to $3,750,000.

Allowed compensation and reimbursement Claims ("Compensation and Reimbursement Claims") relating to compensation of professionals retained by the Debtors or the Creditors Committee, or for the reimbursement of expenses for certain members of the Creditors Committee, unless otherwise agreed by the claimant, will be paid on the later of the Effective Date and the date on which an order allowing such Compensation and Reimbursement Claim is entered.

Pursuant to the Final DIP Order and the Adequate Protection Order, the Debtors have established a $5,000,000 Carve-Out Reserve (as such term is defined therein) to provide funds for the payment of final professional fees. The Compensation and Reimbursement Claims will first be satisfied from the proceeds of the Carve-Out Reserve. Any remaining portion will be a Non-Assumed Administrative Expense Claim.

D. Priority Tax Claims

Tax Claims described in section 507(a)(8) of the Bankruptcy Code (generally, unsecured income, property, wage, or excise taxes) are also entitled to priority under the Bankruptcy Code and, if assumed by the Purchaser, will be paid either in full on the later of the Effective Date and the first business day after the date that is thirty (30) days after the date such Claim becomes Allowed, or equal annual Cash payments, together with interest at a fixed annual rate of six percent (6%) over a period not exceeding six (6) years from the date of assessment of the tax. It is anticipated that the Purchaser will assume those taxes which are treated as held by the Debtors in trust for the relevant taxing authority and those taxes for which the Debtors' officers, directors, or employees could have potential personal liability were they to remain unpaid. If such Claims are not assumed by the Purchaser, the Debtors intend to use Cash and Sale Proceeds not otherwise distributed to holders of Claims in Class C and Class D and holders of Non-Assumed Administrative Expense Claims (described above) and Series B Beneficial Interests not otherwise distributed to holders of Non-Assumed Administrative Expense Claims and holders of Claims in Class A to make a pro rata distribution to holders of Priority Tax Claims.

To the extent the Priority Tax Claims are not assumed by the Purchaser under the APA, it is likely that such Claims will receive little, if any, recovery under the Plan. However, if the Plan is not confirmed, it is certain that such Claims will receive no recovery. The failure to object to confirmation of the Plan by a holder of a Priority Tax Claim prior to any deadline set by the Bankruptcy Court shall be deemed to be such holder's consent and agreement to receive treatment for such Claim that is different from that set forth in section 1129(a)(9) of the Bankruptcy Code, which otherwise requires payment in full.

Taxes secured by valid liens on the Collateral are not affected by the Plan and will be paid or otherwise assumed as described in section II.C.1. above.

E. Tort Claims

Personal injury claims, tort claims, or other similar Litigation Claims arising after the Commencement Date are not subject to the discharge injunction and may be liquidated in the ordinary course of business without further order of the Bankruptcy Court. Personal injury claimants, tort claimants, or other similar litigation claimants whose Claims arose after the Commencement Date shall not be required to file an application for payment of an administrative expense and shall not be subject to any deadline to file applications for payment of administrative expenses.

F. Reservation of "Cram Down" Rights

The Bankruptcy Code permits the Bankruptcy Court to confirm a chapter 11 plan over the dissent of any class of claims or equity interests as long as the standards in section 1129(b) are met. This power to confirm a plan over dissenting classes – often referred to as "cram down" – is an important part of the reorganization process. It assures that no single group (or multiple groups) of claims or interests can block a restructuring that otherwise meets the requirements of the Bankruptcy Code and is in the interests of the other constituents in the case.

The Debtors each reserve the right to seek confirmation of the Plan, notwithstanding the rejection of the Plan by any class entitled to vote. In the event a class votes to reject the Plan, the Debtors will request the Bankruptcy Court to rule that the Plan meets the requirements specified in section 1129(b) of the Bankruptcy Code with respect to such class. The Debtors will also seek such a ruling with respect to each class that is deemed to reject the Plan.

III.

Voting Procedures and Requirements

Detailed voting instructions are provided with the ballot accompanying this Disclosure Statement. For purposes of the Plan, the following classes are the only ones entitled to vote.

Class	Description
A	Priority Non-Tax Claims
B	Other Secured Claims
C	First Lien Lender Claims
D	Second Lien Lender Claims
E	General Unsecured Claims
F	Noteholder Claims
G	PBGC Claims
I	Intercompany Claims

If your Claim is not in one of these classes, you are not entitled to vote on the Plan and you will not receive a ballot with this Disclosure Statement. If your Claim is in one of these classes, you should read your ballot and follow the listed instructions carefully. Please use only the ballot that accompanies this Disclosure Statement.

IF YOU HAVE ANY QUESTIONS CONCERNING THE BALLOT, YOU MAY CONTACT THE VOTING AGENT AT THE TELEPHONE NUMBER BELOW:

For Voting Classes A, B, C, D, E, and G: (646) 282-2500

For Voting Class F: (646) 282-1800

A. Vote Required for Acceptance by a Class

Under the Bankruptcy Code, acceptance of a Plan by a class of claims is determined by calculating the number and the amount of claims voting to accept, based on the actual total Allowed claims voting. Acceptance requires an affirmative vote of more than one-half of the total Allowed claims voting and two-thirds in amount of the total Allowed claims voting.

B. Classes Not Entitled to Vote

Under the Bankruptcy Code, creditors are not entitled to vote if their contractual rights are unimpaired by the Plan. In addition, classes of Claims or Equity Interests that are not entitled to receive property under the Plan are deemed not to have accepted the Plan. Based on this standard, for example, the holders of Intercompany Claims, Securities Litigation Claims, and Punitive Damage Claims are not receiving any property and are therefore deemed to have rejected the Plan. Similarly, stockholders of WPSTV are not entitled to vote because they are not receiving any property under the Plan. Stockholders are deemed to have rejected the Plan. For a summary of the classes entitled to vote, see the charts in sections II.A and III.

C. Voting

In order for your vote to be counted, your vote must be actually ***received*** by the Voting Agent at the following address before the Voting Deadline of 5:00 p.m., Eastern Time, on August 5, 2005:

Voting Agent:

For Voting Classes A, B, C, D, E, and G:

Bankruptcy Services, LLC
757 Third Avenue
3rd Floor
New York, NY 10017
(Attn: WestPoint Stevens Inc.)

For Voting Class F:

Financial Balloting Group LLC
757 Third Avenue
3rd Floor
New York, NY 10017
(Attn: WestPoint Stevens Inc.)

If the instructions on your ballot require you to return the ballot to your bank, broker, or other nominee, or to their agent, you must deliver your ballot to them in sufficient time for them to process it and return it to the Voting Agent before the Voting Deadline. If a ballot is damaged or lost, you may contact the Debtors' Voting Agent at the number set forth above. Any ballot that is executed and returned but which does not indicate an acceptance or rejection of the Plan may not be counted.

IV.

Projections and Valuation Analysis

A. Introduction

This section includes projections for NewCo (as successor to the Debtors) and an estimate of a going concern valuation for the Debtors, based on information available at the time of the preparation of this Disclosure Statement.

The projections assume an Effective Date of August 31, 2005, with Allowed Claims treated in accordance with the provisions set forth in the Plan. Expenses incurred as a result of the reorganization cases are assumed to be paid on the Effective Date. If the sale proposed in the Plan does not occur as currently scheduled, additional Administrative Expense Claims will be incurred until such time as a plan of reorganization is confirmed and becomes effective. These Administrative Expense Claims could significantly impact the Debtors' cash flows.

It is important to note that the projections and estimates of values described below may differ from actual performance and are highly dependent on significant assumptions concerning the future operations of these businesses. These assumptions include the growth of certain lines of business, labor and other operating costs, inflation, and the level of investment required for capital expenditures and working capital Please refer to section X, below, for a discussion of many of the factors that could have a material effect on the information provided in this section.

The estimates of value are not intended to reflect the values that may be attainable in public or private markets. They also are not intended to be appraisals or reflect the value that may be realized if assets are sold.

B. Projections

A copy of NewCo's pro forma balance sheet and projected financial performance will be filed with the Bankruptcy Court prior to the Disclosure Statement Hearing.

C. Going Concern Valuation

A copy of the Debtors' going concern valuation will be filed with the Bankruptcy Court prior to the Disclosure Statement Hearing.

V.

Business Description and Reasons for Chapter 11

A. The Debtors' Businesses

WestPoint is a leading manufacturer, marketer and distributor of an extensive range of bed and bath products ("Home Fashions"), which include bath rugs, bath towels, bedspreads, comforters and duvet covers, decorative throw pillows, sheets, pillowcases and blankets. For almost 200 years, WestPoint has been bringing quality, comfort and style to American homes. WestPoint's family tree includes three of the most famous textile makers of the past – J.P. Stevens & Co., Inc., Pepperell Manufacturing Company, and West Point Manufacturing Company.

WestPoint's products are marketed through leading department stores, mass merchants, specialty stores, and institutional channels located throughout the United States as well as in Australia, Canada, Mexico, the Middle East, and the Far East. WestPoint also owns or leases 34 of its own stores

from which it sells its products directly to the consumer. As of the Commencement Date, WestPoint employed approximately 14,600 employees. As of May 31, 2005, WestPoint employs approximately 9,730 employees. Management is aware of the growing need for an international presence in the home textiles market. Low cost labor and manufacturing overseas has severely impacted the domestic textile markets. In addition to a domestic rationalization, the Debtors are continuing to explore opportunities to move considerable operations overseas to take advantage of these cost savings.

WestPoint operates an extensive network of manufacturing and distribution facilities located in Alabama, Florida, Georgia, Maine, North Carolina, and South Carolina, and uses its New York office as the principal showroom for its extensive line of Home Fashions. WestPoint has one of the largest market shares in both the domestic sheet and pillowcase market and the domestic bath market. As a result of the acquisition of the Chatham Consumer Products Division of CM Industries in January 2001, WestPoint now has the largest market share in domestic blankets. As of March 31, 2005, WestPoint's assets and liabilities, as reflected in its unaudited consolidated financial statements, were $1,020,346 and $2,125,933, respectively.

As of the Commencement Date, WestPoint had approximately 49,897,409 shares of common stock outstanding. As of April 20, 2005, there were approximately 3,700 registered holders. WestPoint's common shares were traded on the New York Stock Exchange until January 30, 2003, and then were traded on the Over the Counter Bulletin Board under the ticker symbol "WSPTQ.OB" and subsequently under the ticker symbol "WSPQE.OB" until May 6, 2005. WestPoint's common shares are currently eligible for trade reporting on the Automated Confirmation Transaction Service ("ACT") under the ticker symbol "WSPTO.PK" effective May 9, 2005. WPSTV's common shares have most recently closed at a price of $0.01 per share.

The following is a brief description of WestPoint's operations. Additional detail on WestPoint's operations and businesses can be found in its Form 10-K for the year ended December 31, 2003, which was filed by WPSTV with the Securities and Exchange Commission on March 15, 2004, the quarterly reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004, and September 30, 2004 which were filed by WPSTV on May 10, 2004, August 9, 2004, and November 9, 2004, respectively, WPSTV's 2004 Annual Review annexed hereto as Exhibit "B", which includes its unaudited financial statements for the fiscal year ended December 31, 2004, and WPSTV's unaudited financial statements for the quarter ended March 31, 2005, annexed hereto as Exhibit "C." Copies of the SEC filings may be obtained over the internet at www.sec.gov or on the Company's website at www.westpointstevens.com. The Debtors' monthly operating reports are available on the Bankruptcy Court's Electronic Case Filing System which can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court.

1. *Products.*

WestPoint markets a broad range of manufactured and sourced bed, bath and basic bedding products.

"Bed and Bath Products" include:

bath accessories;
bath rugs;
bath towels;
beach towels;
bedskirts;
bedspreads;
comforters and duvet covers;
decorative throw pillows;
drapes and valances;

quilts;
sheets and pillowcases;
shower curtains; and
table covers.

"Basic Bedding Products" include:

bed pillows;
flocked blankets;
mattress pads;
natural fill pillows, comforters and featherbeds;
woven blankets and throws; and
heated blankets and mattress pads.

WestPoint's products are made from a variety of fabrics, such as chambray, twill, sateen, flannel, linen, cotton, and cotton blends and are available in a wide assortment of colors and patterns. WestPoint has positioned itself as a single-source supplier to retailers of bed and bath products, offering a broad assortment of products across multiple price points. Such product and price point breadth allows WestPoint to provide a comprehensive product offering for each major distribution channel.

2. *Trademarks and Licenses.*

WestPoint's products are marketed under well-known and firmly established trademarks, brand names, and private labels. WestPoint uses trademarks, brand names, and private labels as merchandising tools to assist its customers in coordinating their product offerings and differentiating their products from those of their competitors. Registered trademarks include ATELIER MARTEX®, CHATHAM®, GRAND PATRICIAN®, MARTEX®, PATRICIAN®, UTICA®, STEVENS®, LADY PEPPERELL®, BABY MARTEX®, SEDUCTION®, and VELLUX®. In 2004, WestPoint recognized $2.0 million in revenues for licensing its trademarks to third party manufacturers who produced complementary Home Fashion products. In addition, products are manufactured and sold pursuant to licensing agreements under designer and brand names that include, among others, Ralph Lauren Home, Disney Home, Charisma, and Glynda Turley. A portion of WestPoint's sales are derived from licensed designer brands. The license agreements for WestPoint's designer brands generally are for a term of two or three years. Some of the licenses are automatically renewable for additional periods, provided that certain sales thresholds set forth in the license agreements are met. No single license has accounted for more than 13.5% of WestPoint's total sales volume during any of the five fiscal years ending on December 31, 2004. The loss of a significant license could have an adverse effect upon the Company's business, which effect could be material. The licensing agreements with fixed expiration dates are: Ralph Lauren Home, December 31, 2005 (the parties are currently negotiating the terms of a new agreement to run through December 31, 2008); Glynda Turley, December 31, 2005; Charisma, March 31, 2010; and Disney Home, December 31, 2005.

3. *Marketing*.

WestPoint is committed to developing and maintaining integral relationships with its customers through "Strategic Partnering," a program designed to improve customers' operating results by leveraging WestPoint's merchandising, manufacturing, and inventory management skills. "Strategic Partnering" includes Electronic Data Interchange ("EDI") direct electronic entry systems, "Quick Response" and "Vendor Managed Inventory" customer delivery programs, and point-of-sale processing. WestPoint incorporates Strategic Partnering into its planning, manufacturing, and shipping systems in order to enable it to efficiently and economically anticipate and respond to customers' inventory requirements. As a result, WestPoint is better able to plan and forecast its own production and inventory requirements. Sales and marketing of WestPoint's Home Fashion products are conducted through a recently enhanced organizational format consisting of divisions for Bed and Bath Products and Basic

Bedding Products, each with supporting domestic sales, marketing, and merchandising teams and international sales and marketing teams. Distribution specific teams focused on targeted key accounts are linked with product management, operations, customer service, and distribution to service each segment of retail.

WestPoint works closely with its major customers to assist them in merchandising and promoting its products to consumers. In addition, WestPoint periodically meets with its customers in an effort to maximize product exposure and sales, and to jointly develop merchandise assortments and plan promotional events specifically tailored to the customer. WestPoint provides merchandising assistance with store layouts, fixture designs, advertising, and point-of-sale displays. A national consumer and trade advertising campaign and comprehensive internet website have served to enhance brand recognition. WestPoint also provides its customers with suggested customized advertising materials designed to increase its product sales. A heightened focus on consumer research provides needed products on a continual basis.

Approximately 87% of WestPoint's total sales in 2004 were made to retail establishments in the United States, including catalog retailers, chain and department stores, mass merchants, specialty bed and bath stores, warehouse clubs, and WestPoint Stores. Finished products are distributed to retailers directly from WestPoint's plants. The majority of the remaining portion of WestPoint's sales of Home Fashion products are through the institutional channel, which includes hospitality and healthcare establishments, as well as laundry supply businesses. In addition to domestic sales, WestPoint distributes its Home Fashion products for eventual sale to certain foreign markets, principally Australia, Canada, Mexico, Central and South America, the Middle East, and the Far East. International operations accounted for approximately 3% of WestPoint's total revenues in 2004.

4. *Customers.*

WestPoint is always pursuing strategic relationships with key merchandisers. An important component of WestPoint's strategy is to increase its share of shelf and floor space by strengthening its partnership with its customers. WestPoint is working closely with retailers and is sharing information and business practices with them to improve service and achieve higher profitability for both the retailer and WestPoint.

WestPoint's Home Fashion products are sold to catalog retailers, chain stores, mass merchants, department stores, specialty stores, warehouse clubs, and its own retail stores. WestPoint's six largest customers in 2004, Federated Department Stores, Inc., J.C. Penney Company, Inc., Kmart Corporation, Sears Roebuck & Co., Inc., Target Corporation, and Wal-Mart Stores, Inc. accounted for approximately 51% of the net sales of WestPoint during the fiscal year ended December 31, 2004. In 2004, sales to Target Corporation and Wal-Mart Stores, Inc. were 13% and 14%, respectively, of the net sales of WestPoint. Each of such customers has purchased goods from WestPoint in each of the last 10 years. Representatives of Target Corporation and J.C. Penney Company, Inc. have indicated that they intend to significantly increase their direct sourcing of home fashion products from foreign sources. A loss of any of the largest accounts (or a material portion of any thereof) would have an adverse effect upon WestPoint's business, which effect could be material.

5. *Manufacturing*.

WestPoint currently uses the latest manufacturing and distribution equipment and technologies in its mills. Management therefore believes WestPoint is one of the most efficient manufacturers in the home fashions industry. Over the five years ended December 31, 2004, WestPoint has spent approximately $220 million to modernize its manufacturing and distribution systems. The capital expenditures have been used to, among other things, replace projectile looms with faster, more efficient air jet looms and further automate WestPoint's cut and sew operations. Air jet looms produce at higher speeds than projectile looms, yielding fewer defects, requiring less maintenance, and providing

cleaner and safer working environments. Using air jet technology, compressed air propels the filling yarn at high speeds, with robotics handling the cutting and tucking of the filling yarn. WestPoint (including its subsidiaries) operates approximately 18 facilities. These facilities are located primarily in the Southeastern United States.

6. *Sourcing*.

WestPoint has had a long-standing history of domestic and international sourcing of selected component products such as specialty yarns and specialty greige sheeting fabric for use in domestic production of Home Fashion products. Today, WestPoint views sourcing as a means to drive business growth and improve profitability by providing products and services that accelerate product and packaging innovation resulting in a competitive market advantage. In 2004, WestPoint imported both component and finished products from 22 countries and has established strong relationships in several key export countries including China, India, and Pakistan. To accelerate speed to market and improve customer service, WestPoint successfully implemented third party logistics operations on the East Coast. WestPoint continues to increase the number of vendors and sourced product categories and estimates that sales from sourced products accounted for roughly 29% of WestPoint's sales in 2004. Through global sourcing operations, the categories of product offerings by WestPoint to its customers has been significantly expanded to increase focus on high growth product categories such as bath accessories, rugs and quilts.

WestPoint's policy on sourcing prohibits the purchase of merchandise that is produced in whole or in part by indentured, prison, or illegal immigrant or child labor. WestPoint requires that vendors certify the locations used for the production of products it purchases and that the vendors submit to compliance inspections from WestPoint or its representatives to ensure that WestPoint does not do business with suppliers who violate human rights.

7. *Raw Materials.*

The principal raw materials used in the manufacture of Home Fashions products are cotton of various grades and staple lengths, polyester, and nylon in staple and filament form. Cotton, polyester, and nylon presently are available from several sources in quantities sufficient to meet WestPoint's requirements. WestPoint is not dependent upon any one supplier as a source of raw materials. Since cotton is an agricultural product, its supply and quality are subject to weather patterns, disease, and other factors. The price of cotton is also influenced by supply and demand considerations, both domestically and worldwide, and by the cost of polyester. Although WestPoint has always been able to acquire sufficient quantities of cotton for its operations in the past, any shortage in the cotton supply by reason of weather, disease, or other factors could adversely affect WestPoint's operations. The price of man-made fibers, such as polyester and nylon, is influenced by demand, manufacturing capacity and costs, petroleum prices, cotton prices, and the cost of polymers used in producing man-made fibers. Any significant prolonged petrochemical shortages could significantly affect the availability of man-made fibers and cause a substantial increase in demand for cotton, resulting in decreased availability and, possibly, increased price. WestPoint also purchases substantial quantities of dyes and chemicals. Dyes and chemicals have been, and are expected to continue to be, available in sufficient supply from a wide variety of sources.

8. *Seasonality; Cyclicality; Inventory.*

Traditionally, the home fashions industry has been seasonal, with peak sales in the fall. In accordance with industry practice, WestPoint increases its Home Fashions' inventory levels during the first six months of the year to meet customer demands for the fall peak season. WestPoint's commitment to EDI, Quick Response, and Vendor Managed Inventory, however, has facilitated a more even distribution of products throughout the calendar year and reduced some of the need to stockpile inventory

to meet peak season demands. WestPoint's increased emphasis on sourcing of products is anticipated to increase the inventory cycle times to account for transit time and quick peaks in demand.

The home fashions industry is also cyclical. While WestPoint's performance may be negatively affected by downturns in consumer spending, management believes the effects thereof are mitigated by WestPoint's large market shares and broad distribution base.

9. *Competition.*

The home fashions industry is highly competitive. WestPoint competes on the basis of price, quality, design and customer service, among other factors. In the sheet and towel markets, WestPoint competes primarily with Springs Industries, Inc. In the other bedding and accessories markets, the Company competes with many companies, most of which are much smaller in size than WestPoint. WestPoint has pursued a competitive strategy focused on providing the best fashion, quality, service, and value to its customers and to the ultimate consumer. WestPoint believes that there has been an increase in the sale of imported Home Fashion products in the domestic market and is actively pursuing its own foreign sourcing opportunities to meet the demand for such products. WestPoint believes the level of foreign competition has been increasing. There can be no assurance that foreign competition will not grow to a level that could have an adverse effect upon WestPoint's ability to compete effectively.

10. *Other Operations.*

WestPoint's operations also include Grifftex Chemicals ("Grifftex") which formulates chemicals primarily used in WestPoint's finishing processes, and WestPoint Stevens Graphics ("Graphics") which prints product packaging and labeling. Neither Grifftex nor Graphics represent a material portion of WestPoint's business.

11. *Environmental Matters.*

WestPoint is subject to various federal, state, and local environmental laws and regulations governing, among other things, the storage, handling, usage, discharge, and disposal of a variety of hazardous and non-hazardous substances and wastes used in, or resulting from, its operations, including, but not limited to: the Water Pollution Control Act, as amended; the Clean Air Act, as amended; the Resource Conservation and Recovery Act, as amended; the Toxic Substances Control Act; and the Comprehensive Environmental Response, Compensation and Liability Act.

WestPoint's operations also are governed by laws and regulations relating to employee safety and health, principally the Occupational Safety and Health Act and regulations thereunder which, among other things, establish exposure limitations for cotton dust, formaldehyde, asbestos and noise, and regulate chemical, physical and ergonomic hazards in the workplace.

Although WestPoint does not expect that compliance with any of the aforementioned laws and regulations will have a material adverse effect on its capital expenditures, earnings, or competitive position in the foreseeable future, there can be no assurances that environmental requirements will not become more stringent in the future or that WestPoint will not incur significant costs in the future to comply with such requirements.

B. Prepetition Indebtedness

WestPoint's significant prepetition indebtedness consists of the following:

1. *The First Lien Lender Agreement.*

The First Lien Lender Agreement consists of that certain Second Amended and Restated Credit Agreement, dated as of June 9, 1998, which is comprised of the Revolving Loans, the Foreign Currency Loan Subfacility, and the Letter of Credit Subfacility in the original aggregate principal amount of $800,000,000, among WPSTV, as Borrower, WestPoint Stevens (UK) Limited and WestPoint Stevens (Europe) Limited, as Foreign Borrowers, the several banks and other financial institutions from time to time parties thereto, Bank of America, N.A., as Issuing Lender, Swingline Lender, and Administrative Agent. As of the Commencement Date, the principal amount due under the First Lien Lender Agreement was $490,688,875, plus accrued interest of approximately $6,287,334 and undrawn letters of credit issued under the First Lien Lender Agreement of approximately $35,190,000.

Pursuant to the Adequate Protection Order, as of May 31, 2005, the Debtors' have paid the First Lien Lenders $98,339,491 in adequate protection payments.

2. *The Second-Lien Lender Agreement.*

The Second-Lien Lender Agreement consists of that certain $165 million Second-Lien Credit Facility, dated as of June 29, 2001, among WPSTV, as Borrower, the banks and other financial institutions from time to time parties thereto, and Deutsche Bank Trust Company Americas (f/k/a Bankers Trust Company), as Administrative Agent. As of the Commencement Date, the principal amount due under the Second-Lien Facility was $165,000,000, plus accrued interest of approximately $4,271,918.

Pursuant to the Adequate Protection Order, as of May 31, 2005, the Debtors have paid the Second Lien Lenders $56,688,245 in adequate protection payments. In accordance with the agreement reached between the First Lien Lenders and the Second Lien Lenders which was approved by the Bankruptcy Court on August 23, 2004, all adequate protection payments since August 31, 2004, have been paid into an escrow account. Approximately $23,555,215 has been paid into the escrow account. On May 10, 2005, the Second Lien Lender Administrative Agent on behalf of itself and the Second Lien Lenders, filed a motion with the Bankruptcy Court requesting the dissolution of the escrow account, payment of the escrowed amounts to the Second Lien Lenders, and the reinstatement of direct payment of the adequate protection payments to the Second Lien Lenders. Certain of the Second Lien Lenders have joined in the motion. The motion is currently scheduled to be heard by the Bankruptcy Court on June 24, 2005.

3. *The Senior Notes.*

The senior notes (the "Senior Notes") consist of (i) the 7-7/8 % senior unsecured notes due 2005, issued pursuant to that certain Indenture, dated as of June 9, 1998, between WPSTV and HSBC Bank USA (as successor to The Bank of New York), as Trustee, in the original aggregate principal amount of $525,000,000 and (ii) the 7-7/8 % senior unsecured notes due 2008, issued pursuant to that certain Indenture, dated as of June 9, 1998, between WPSTV and HSBC Bank USA (as successor to The Bank of New York), as Trustee, in the original aggregate principal amount of $475,000,000. The Senior Notes are general unsecured obligations of WPSTV and rank pari passu in right of payment with all existing or future unsubordinated indebtedness of WPSTV and senior in right of payment to all subordinated indebtedness of WPSTV. The Senior Notes bear interest at the rate of 7-7/8% per annum, payable semi-annually on June 15 and December 15 of each year.

C. Events Leading to the Commencement of the Chapter 11 Cases

The Debtors believe that their financial difficulties are attributable primarily to their overleveraged debt structure and an increase in foreign competition. The domestic textile manufacturing industry is in a state of flux, beset by factors beyond its control. The rapidly increasing ability of foreign textile competitors to deliver product and service that meet the demands of domestic customers has led to the closing and liquidation of many domestic textile manufacturers, the most recent being one of WPSTV's key competitors, Pillowtex (as described above). WPSTV, like many other domestic textile manufacturers, was compelled to commence these chapter 11 cases in order to continue to be able to operate successfully in today's competitive marketplace and reduce its debt burden and de-lever its balance sheet.

Commencing in the year 2000, WestPoint undertook a strategic review of its businesses, manufacturing, other facilities, and products and implemented a restructuring plan. In connection therewith, WestPoint closed four plants and terminated over 1,700 employees.

On September 20, 2002, WestPoint's board of directors approved additional restructuring initiatives in an effort to increase asset utilization, lower manufacturing costs and increase Cash flow and profitability through reallocation of production assets from bath products to basic bedding products and through rationalization of West Point Stevens Stores Inc. WestPoint also closed its Rosemary, North Carolina, towel finishing facility and 3 retail stores.

Despite these initiatives, WestPoint continued to experience financial difficulty related primarily to restrictive covenants under its First Lien Lender Agreement and its existing overleveraged debt structure. WestPoint therefore entered into negotiations with the First Lien Lenders to amend the First Lien Lender Agreement to permit certain restructuring, impairment and other charges and to revise certain financial ratios and minimum EBITDA covenants in its First Lien Lender Agreement.

Despite the amendments to its First Lien Lender Agreement, WestPoint continued to experience financial difficulties which led to a default under its First Lien Lender Agreement and Second-Lien Lender Agreement. Effective March 31, 2003, the First Lien Lenders and Second Lien Lenders agreed to amend the First Lien Lender Agreement and Second Lien Lender Agreement and to refrain from exercising any rights or remedies in respect of WestPoint's failure to comply with financial covenants until June 10, 2003.

On May 16, 2003, WestPoint's board of directors approved the retention of Rothschild Inc. ("Rothschild"), an independent financial advisor, to evaluate alternatives aimed at reducing WestPoint's existing debt structure and strengthening the balance sheet. After extensive negotiations with the First Lien Lenders and Second Lien Lenders regarding various alternatives, WestPoint's board of directors concluded it would be in the best interests of its creditors and stockholders to effectuate a consensual restructuring under chapter 11 of the Bankruptcy Code. On June 1, 2003, the Debtors commenced the chapter 11 cases.

D. Pending Litigation and Other Proceedings

1. *The Geller Action*.

On October 5, 2001, a purported stockholder class action suit, entitled *Norman Geller v. WestPoint Stevens Inc., et al.* (the "Geller Action"), was filed against WestPoint and certain of its former officers and directors in the United States District Court for the Northern District of Georgia. The actions were consolidated by Order dated January 25, 2002. Plaintiffs served a Consolidated Amended Complaint (the "Amended Complaint") on March 29, 2002. The Amended Complaint asserted claims against all defendants under § 10(b) of the Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and against WestPoint and defendant Holcombe T. Green, Jr. as "controlling persons" under § 20(a) of

the Exchange Act. The Amended Complaint alleged that, during the putative class period (i.e., February 10, 1999, to October 10, 2000), WestPoint and certain of its officers and directors caused false and misleading statements to be issued regarding, *inter alia*, alleged overcapacity and excessive inventories of WestPoint's towel-related products and customer demand for such products, and that certain individual defendants wrongfully sold or pledged WestPoint stock at inflated prices for their benefit. The Amended Complaint referred to WestPoint's press releases and quarterly and annual reports on Securities Exchange Commission Forms 10-Q and 10-K, which discuss WestPoint's results and forecasts for the fiscal years 1999 and 2000. The plaintiffs alleged that these press releases and public filings were false and misleading because they failed to disclose that WestPoint allegedly "knew sales would be adversely affected in future quarters and years." The plaintiffs also alleged in general terms that WestPoint materially overstated revenues by making premature shipments of products.

WestPoint's insurance carrier reached an agreement to settle the Geller Action at no cost to WestPoint. The settlement was approved by the Bankruptcy Court and received final approval on November 16, 2004 through a fairness hearing before the United States District Court for the Northern District of Georgia.

As a result of the settlement, during the second quarter of 2004, WestPoint recorded a liability of $4,250,000 for its legal obligation to fund the settlement and a related receivable of $4,250,000 for the reimbursement from its insurance carrier. The insurance carrier subsequently paid $4,250,000 into the settlement fund.

2. *The Clark Action*.

On March 11, 2002, a shareholder derivative action, entitled *Gordon Clark v. Holcombe T. Green, Jr., et al.* (the "Clark Action"), was filed against certain of WestPoint's former directors and officers in the Superior Court of Fulton County, Georgia. The complaint alleged that the named individuals breached their fiduciary duties by acting in bad faith and wasting corporate assets. The complaint also asserted claims under Georgia Code Ann. §§ 14-2-740 to 14-2-747 and 14-2-831. The claims were based on the same or similar facts as were alleged in the Geller Action.

The Clark Action was voluntarily dismissed by the plaintiffs on June 28, 2004.

3. *The Hemmer Action*.

On July 1, 2002, a shareholder derivative action, entitled *John Hemmer v. Holcombe T. Green, Jr., et al.* (the "Hemmer Action"), was filed against Mr. Green and certain of WestPoint's other current and former directors including Messrs. Hugh M. Chapman, John F. Sorte and Ms. M. Katherine Dwyer in the Court of Chancery in the State of Delaware in and for New Castle County. The Complaint alleged that the named individuals breached their fiduciary duties and knowingly or recklessly failed to exercise oversight responsibilities to ensure the integrity of WestPoint's financial reporting. The complaint also asserted that certain of the named individuals used proprietary WestPoint information in selling or pledging WestPoint stock at inflated prices for their benefit. The claims were based on the same or similar facts as were alleged in the Geller Action.

The Hemmer Action was voluntarily dismissed by the plaintiffs on August 25, 2004.

4. *The Pillowtex Action*.

On March 21, 2002, an Adversary Complaint of Debtors and Debtors in Possession Against WestPoint Stevens Inc. was filed by Pillowtex, Inc., a Delaware corporation, et al., and Pillowtex Corporation, et al., against WestPoint in the United States Bankruptcy Court for the District of Delaware. Pillowtex Corporation and its related and affiliated companies ("Pillowtex") as Debtors and Debtors in Possession alleged breach of a postpetition contract (the "Sale Agreement"), dated January 31, 2001,

among Pillowtex, Ralph Lauren Home Collection, Inc. ("RLH"), and Polo Ralph Lauren Corporation ("PRLC"). Pillowtex alleges that WestPoint refused to perform its purchase obligation under the Sales Agreement and was liable to it for $4,800,000 plus potentially significant other consequential damages. WestPoint believes that the complaint is without merit and intends to contest the action vigorously. The case is currently stayed due to WestPoint's bankruptcy filing.

5. *The Reparation Class Actions.*

WestPoint has been named as a defendant in three separate purported class action suits seeking reparation for the historic enslavement of African Americans in the United States. *Eddlee Bankhead v. Lloyd's of London, et al.* was filed on September 3, 2002, in the United States District Court for the Southern District of New York. *Timothy Hurdle and Chester Hurdle v. FleetBoston Financial Corporation, et al.* was initially filed in the California Superior Court for San Francisco County on September 10, 2002, but has since been removed to the United States District Court for the Northern District of California (San Francisco). *Julie Mae Wyatt-Kerwin v. J.P. Morgan Chase* was filed January 21, 2003 in the United States District Court for the Southern District of Texas. All three cases have been consolidated with related cases in the U.S. District Court for the Northern District of Illinois. The factual basis for all three suits is the claim that the defendants profited from the slave labor of the plaintiff classes' ancestors prior to 1865 and, specifically, that Pepperell Manufacturing, a predecessor to WestPoint Stevens Inc., utilized cotton from southern planters who in turn purchased finished product to clothe their slaves. The California suit alleges that such practices amount to an "unfair business practice" in violation of the California Business and Professional Code.

The purported class includes all descendants of African American slaves. The relief sought includes an accounting, the appointment of an independent historical commission, imposition of a constructive trust, restitution of the value of slave labor and defendants' unjust enrichment, disgorgement of illicit profits and compensatory and punitive damages.

On January 26, 2004, the District Court granted defendants' motion to dismiss without prejudice.

6. *Other Legal Issues.*

WestPoint is subject to various federal, state, and local environmental laws and regulations governing, among other things, the discharge, storage, handling, and disposal of a variety of hazardous and non-hazardous substances and wastes used in or resulting from its operations and potential remediation obligations thereunder. Certain of WestPoint's facilities (including certain facilities no longer owned or utilized by the Company) have been cited or are being investigated with respect to alleged violations of such laws and regulations. The Debtors are cooperating fully with relevant parties and authorities in all such matters. WestPoint believes that it has adequately provided in its financial statements for any expenses and liabilities that may result from such matters. WestPoint also is insured with respect to certain of such matters. WestPoint's operations are governed by laws and regulations relating to employee safety and health which, among other things, establish exposure limitations for cotton dust, formaldehyde, asbestos, and noise, and regulate chemical and ergonomic hazards in the workplace.

Although WestPoint does not expect that compliance with any of such laws and regulations will adversely affect its operations, there can be no assurance that such regulatory requirements will not become more stringent in the future or that WestPoint will not incur significant costs in the future to comply with such requirements.

VI.

Significant Events During the Chapter 11 Case

A. Filing and First Day Orders

On June 1, 2003, the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. On June 3, 2003, the Bankruptcy Court approved certain orders designed to minimize the disruption of the Debtors' business operations and to facilitate their reorganization.

- *Case Administration Orders*. These orders: (i) authorized joint administration of the chapter 11 cases; (ii) established interim compensation procedures for professionals (this order was entered on June 18, 2003, following a final hearing); (iii) granted an extension of the time to file the Debtors' schedules and statements; and (iv) approved notice procedures limiting notice on various matters to only affected parties and authorizing the Debtors or their agent, to act as agent for the clerk of the Bankruptcy Court in noticing all matters customarily noticed by the clerk pursuant to the Bankruptcy Code.

- *Payments on Account of Certain Prepetition Claims*. The Bankruptcy Court authorized the payment of prepetition: (i) wages, compensation and employee benefits; (ii) sales and use taxes; (iii) Claims of common carriers and warehousemen; and (iv) Claims of critical trade vendors.

- *Business Operations.* The Bankruptcy Court authorized the Debtors to: (i) comply with certain license and regulatory agency fee requirements; (ii) continue customer service programs; (iii) continue prepetition premium obligations under workers' compensation insurance and all other insurance policies, and bonds relating thereto; (iv) maintain existing bank accounts and business forms; (v) continue their centralized cash management system; (vi) provide adequate assurance to utility companies and establish procedures for determining requests for additional adequate assurance; and (vii) grant administrative expense status to undisputed obligations arising from the postpetition delivery of goods ordered in the prepetition period and make payment of such Claims in the ordinary course of business.

- *Bankruptcy Matters.* The Bankruptcy Court authorized the Debtors to obtain postpetition financing under the DIP Credit Agreement on a superpriority basis for $300 million.

On August 28, 2003, the English High Court entered an administration order for the appointment of joint administrators of WestPoint Stevens (Europe) Limited, an indirect European subsidiary of WestPoint, pursuant to section 8 of the United Kingdom's Insolvency Act 1986.[2]

This administration order was discharged on August 26, 2004 by the English High Court. Prior to that discharge, joint liquidators were appointed to WestPoint Stevens (Europe) Limited by the creditors of the company. The joint liquidators are continuing to manage the company and expect an initial dividend to be made to creditors in the second quarter of 2005.

An application has been made to England Companies House to strike-off the WestPoint subsidiary, WestPoint Stevens (UK) Limited, and the three dormant subsidiaries of WestPoint Stevens (Europe) Limited, from the register of companies in England. This application is still pending.

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[2] The administration of WestPoint Stevens (Europe) Limited was commenced before the provisions of the United Kingdom's Enterprise Act 2002, amending the Insolvency Act 1986, came into force.

B. Appointment of the Creditors Committee

On June 11, 2003, the United States Trustee for the Southern District of New York (the "U.S. Trustee"), pursuant to its authority under section 1102 of the Bankruptcy Code, appointed a Statutory Committee of Creditors (the "Creditors Committee") in these bankruptcy cases.

As originally appointed, the Creditors Committee consisted of the following seven members:

HSBC Bank, USA
452 Fifth Avenue
New York, NY 10018
Attn: Robert Conrad, Vice President
Tel: (212) 525-1314

KOSA
Charlotte Park Drive
Charlotte, NC 28217
Attn: Ernest Pepe, Credit Manager
Tel: (704) 586-7300

Imex Discovery Resources, Inc.
d/b/a Imex Vinyl Packaging
5311 77 Center Drive
Suite 95
Charlotte, NC 28217
Attn: Eugene P. Smith, CPA, VP Operations
Tel: (704) 527-1785

ESL Investments
200 Greenwich Avenue
Greenwich, CT 06830
Attn: William C. Crowley

Fidelity Research & Management Company
82 Devonshire Street
Mailzone E31C
Boston, MA 02109
Attn: Nathan H. Van Duzer, Esq.
Tel: (617) 392-8129

GSC Partners
500 Campus Dr.
Florham Park, NJ 07932
Attn: Robert A. Hamwee
Tel: (973) 737-1010

Perry Strategic Capital, Inc.
599 Lexington Avenue
New York, NY 10022
Attn: Peter Schweinworth
Tel: (212) 583-4000

Since the appointment of the Creditors Committee, the Debtors have consulted with the Creditors Committee concerning the administration of their chapter 11 cases. The Debtors have kept the Creditors Committee apprised of their business operations and have sought their concurrence with respect to actions and transactions outside of the ordinary course of business. The Creditors Committee has actively participated during the pendency of these chapter 11 cases.

The Creditors Committee currently consists of four members. The current chair of the Creditors Committee, other members of the Creditors Committee, and the attorneys and financial advisors retained by the Creditors Committee, are set forth below:

Members of the Creditors Committee

HSBC Bank, USA
452 Fifth Avenue
New York, NY 10018
Attn: Robert Conrad, Vice President
Tel: (212) 525-1314

Carlisle Investments
Via Parigi 11 Rome, Italy 00185
Attn: Marco M. Elser
Tel: +39-335-628-5555

Imex Discovery Resources, Inc.
d/b/a Imex Vinyl Packaging
5311 77 Center Drive
Suite 95
Charlotte, NC 28217
Attn: Eugene P. Smith, CPA, VP Operations
Tel: (704) 527-1785

Alma and Gabriel Elias & Wholesale Realtors Supply
509 Spring Avenue
Elkins Park, Pa. 19027
Attn: Gabriel Elias
Tel: (215) 635-0305

The Creditors Committee has retained the following advisors:

Attorneys	Financial Advisors
Stroock & Stroock & Lavan LLP 180 Maiden Lane New York, NY 10038	Lehman Brothers 745 Seventh Ave., 19th Floor New York, NY 10019
	E.J. Bird 15 Blazing Star Trail Landrum, SC 29356

C. DIP Credit Agreement

The DIP Credit Agreement is the Post-Petition Credit Agreement, dated as of June 2, 2003, among WestPoint and certain of its subsidiaries (collectively, the "Borrowers"), Bank of America, N.A., as Administrative Agent (the "DIP Agent," or "BofA"), Wachovia Bank, National Association, as Syndication Agent ("Wachovia" or the "Syndication Agent"), Bank of America Securities LLC, as Book Manager and Sole Lead Arranger ("BAS") and the lenders from time to time party thereto (collectively, the "DIP Lenders"). The Debtors entered into the DIP Credit Agreement in order to ensure sufficient liquidity to fund the expenses associated with their chapter 11 cases. The DIP Credit Agreement has been amended seven times during the bankruptcy case, pursuant to orders of the Bankruptcy Court. The Seventh Amendment to the DIP Credit Agreement (the "Seventh Amendment") extended the term of the DIP Credit Agreement through the earlier of the consummation of a sale transaction or December 2, 2005.

The DIP Lenders agreed to provide a total credit facility of up to $300 million, with a $75 million sublimit for standby and documentary letters of credit. Availability is subject to a borrowing base (which includes, among other things, inventory and receivables) defined as equal, at any date, to (i) the sum of 85% of Borrowers' eligible accounts plus the lesser of (x) $200 million, (y) 65% of the book value of Borrowers' eligible inventory, or (z) 85% of net orderly liquidation value of Borrowers' eligible inventory, (ii) minus an amount equal to the Carve Out, as defined below, and any past due license fees.

The DIP Credit Agreement was in effect for an initial period of one year from June 3, 2003 but Allowed the Debtors to extend on two separate occasions for six months each, if the Borrowers gave 30 days prior written notice to the DIP Agent (the "Renewal Periods"). Notice of additional extensions were given by the Debtors on or about April 28, 2004, and November 1, 2004. Loans outstanding under the DIP Credit Agreement will be required to be repaid upon the Borrowers' receipt of proceeds of the Collateral and on the maturity date. Draws under letters of credit will be repayable on the first business day following each such draw. As described above, pursuant to the Seventh Amendment, the term of the DIP Credit Agreement was extended to the earlier of December 2, 2005 or the consummation of a sale of substantially all of the assets of the Debtors.

Claims of the DIP Agent and the DIP Lenders against the Debtors are afforded superpriority administrative expense status in each of the Debtors' chapter 11 bankruptcy cases. That is, they are to be paid before any other obligations of the Debtors, including administrative expenses and other Claims entitled to priority under the Bankruptcy Code. Pursuant to section 2.5 of the Plan, all outstanding obligations under the DIP Credit Agreement will be paid by the Purchaser on the Effective Date, and all outstanding letters of credit issued under the DIP Credit Agreement will either be backstopped with substitute letters of credit arranged by the Purchaser or cash collateralized by the Purchaser.

As of June 3, 2005, $63,190,625 has been drawn and remains outstanding under the DIP Credit Agreement. In addition, letters of credit in the approximate aggregate amount of $29,641,229 million have been issued.

The DIP Credit Agreement is secured by perfected first priority liens on all unencumbered assets of the Debtors, perfected junior liens on the encumbered assets (other than the encumbered assets subject to priming liens as described below) of the Debtors which are subject to valid perfected liens in existence as of the Commencement Date or subject to valid liens in existence as of the Commencement Date that are perfected subsequent thereto, and perfected first priority priming liens on the Debtors' assets which shall prime (x) all of the existing liens in existence as of the Commencement Date granted to the Prepetition Lenders pursuant to the Prepetition Credit Facilities and (y) any liens granted after the Commencement Date to provide adequate protection to the Prepetition Lenders with respect to the Prepetition Credit Facilities.

All liens and superpriority Claims granted in the DIP Credit Agreement are subject to the Carve Out for professional fees.

As presently amended, borrowings under the DIP Credit Agreement bear interest at a fluctuating rate per annum equal to LIBOR plus a margin of 2.50% or prime plus a margin of 0.50%. Each margin is subject to quarterly adjustment, pursuant to a pric ing matrix, based on average availability, having a range of 2.25% to 3.00% for LIBOR based loans and 0.25% to 1.00% for Prime based loans. In addition, the margins may be increased by the DIP Agent and the Syndication Agent, in consultation with the Borrowers, by not more than 25 basis points in the event the initial DIP Lenders are unable to successfully syndicate the DIP Facility.

The DIP Credit Agreement provides a carve out (the "Carve Out") (i) in the event of the occurrence and during the continuance of an event of default for the payment of Allowed and unpaid professional fees and disbursements incurred by the Debtors and any statutory committees appointed in the Debtors' chapter 11 bankruptcy cases, in an aggregate amount not to exceed $5 million (plus all unpaid professional fees and disbursements incurred prior to the occurrence of an event of default to the extent Allowed by the Bankruptcy Court), and (ii) for the payment of unpaid fees due the Clerk of the Bankruptcy Court.

D. Adequate Protection

As part of the motion filed with the Bankruptcy Court for approval of the DIP Credit Agreement, the Debtors requested authorization to use cash collateral and provide adequate protection to their prepetition secured lenders ("Adequate Protection"). On June 2, 2003, the Adequate Protection Order was entered by the Bankruptcy Court on an interim basis, pending a final hearing. The Adequate Protection Order became a Final Order on June 18, 2003.

The Adequate Protection served as an inducement for the prepetition secured lenders' consent to the priming of their liens and the use of their cash collateral as part of the DIP Credit Agreement. The Adequate Protection is designed to protect the Collateral of the prepetition secured lenders from any diminution in value by providing among other things:

a. a superpriority Claim immediately junior to the Claims held by the DIP Agent and the DIP Lenders, and post-petition replacement liens on and security interests in substantially all of the assets of the Debtors having a priority immediately junior to the priming and other liens granted in favor of the DIP Agent and the DIP Lenders (with such liens, Claims and security interests subject, as between the First Lien Lenders and the Second Lien Lenders, to that certain Intercreditor and Lien Subordination Agreement, dated as of June 29, 2001); provided, however, that the liens and security interests granted for the benefit of the prepetition lenders (i) are subject to the Carve Out and any valid perfected liens in existence as of the Commencement Date, and (ii) are subject to valid liens in existence as of the Commencement Date that are perfected subsequent thereto pursuant to section 546(b) of the Bankruptcy Code, which are otherwise senior to the liens of the prepetition lenders;

b. monthly payment of current interest and letter of credit fees at the applicable non-default rates provided for under the Prepetition Credit Facilities; and

c. continuation of payment of the fees of the prepetition agents, including payment of the reasonable fees and disbursements of the prepetition agents' professionals.

Pursuant to an agreement reached between the First Lien Lenders and Second Lien Lenders which was approved by the Bankruptcy Court on August 23, 2004, all adequate protection payments in favor of the Second Lien Lenders incurred subsequent to August 31, 2005 are being held in escrow (the "Adequate Protection Escrow"). On May 10, 2005, the Second Lien Lender Administrative Agent, on behalf of itself and the Second Lien Lenders, filed a motion with the Bankruptcy Court requesting the dissolution of the escrow account, payment of the escrowed amounts to the Second Lien Lenders, and the reinstatement of direct payment of the adequate protection payments to the Second Lien Lenders. Certain of the Second Lien Lenders have joined in the motion. The motion is currently scheduled to be heard by the Bankruptcy Court on June 24, 2005.

E. The Resignation of Holcombe T. Green Jr.

On July 15, 2003, the Debtors filed a motion with the Bankruptcy Court seeking authorization and approval of their entry into a separation agreement with Holcombe T. Green Jr., the then Chairman and Chief Executive Officer of WestPoint (the "Green Separation Agreement"). On August 18, 2003, the Bankruptcy Court entered an order approving the Green Separation Agreement.

Pursuant to the Green Separation Agreement, Mr. Green received a $1 million Cash payment immediately upon his resignation rather than the $4 million Cash payment due under his employment contract. Mr. Green also agreed to make himself available to WestPoint, as a consultant, through December 31, 2005, for a minimum of 40 hours per month. Mr. Green received payments of $425,000 for the remainder of 2003, $475,000 for 2004, and he will be paid $475,000 for 2005. The total Cash payments under the Green Separation Agreement as severance and services to be rendered through 2005 are approximately $2,375,000. The Debtors have agreed to release Mr. Green and his related companies from all obligations due and owing to WestPoint as a result of the joint venture with HTG Corp., a corporation wholly owned by Mr. Green.

In exchange for his entry into the Green Separation Agreement, Mr. Green agreed to release and forever discharge WestPoint from any and all arbitrations, claims, demands, damages, suits, proceedings, actions, and/or causes of action of any kind and every description, whether known or unknown, which he may now have, or may have had, for any reason whatsoever.

F. Employee Wage and Benefit Issues

1. *Key Employee and Key Executive Retention Program.*

On September 30, 2003, the Debtors filed a motion with the Bankruptcy Court seeking approval of the establishment of the KERP to ensure that certain key employees would continue to provide essential management and operational services to the Debtors during the pendency of their chapter 11 cases. On October 23, 2003 the Bankruptcy Court entered an order approving the KERP.

The KERP provides for incentive payments for 245 of the Debtors' key employees based upon the achievement of certain operating and performance goals. Provided maximum performance targets are met, the aggregate payments to be made for incentives will be approximately $4.85 million per quarter. In addition, the KERP provides for severance payments to the top 22 employees of the Debtors. The severance payments under the KERP are in lieu of any contractual severance or participation in Company-wide separation plans by those 22 employees.

On August 12, 2004, the Bankruptcy Court entered an order extending the KERP to cover those periods through and including the Debtors' fiscal quarter ending June 30, 2005. For the quarters ending June 30 and September 30, 2004, the Bankruptcy Court authorized the Debtors to make aggregate payments of $2,251,395 per quarter in lieu of the KERP payments that otherwise may have been required for those periods. For the quarters ending December 31, 2004, March 31, 2005, and June 30, 2005, the Bankruptcy Court set the "Target" metrics for EBITDA and cash availability at the amounts established by the Debtors in their 2004 business plan. In addition, pursuant to an agreement between the Debtors and the First Lien Lenders, the Bankruptcy Court authorized the establishment of an escrow account for the deposit of KERP payments due to Group 1A until confirmation of a plan. As described above, pursuant to the order approving the KERP, fifty percent (50%) of all accrued incentive payments under the KERP have been deferred until confirmation of a plan. Those accrued amounts will be paid by the Purchaser on the Confirmation Date, provided that the KERP is among those obligations assumed by the Purchaser pursuant to the APA.

2. *Termination of Pension Obligations.*

The Debtors sponsor and maintain two defined benefit pension plans, the WestPoint Stevens Hourly Retirement Plan for their hourly employees (the "Hourly Pension Plan") and the WestPoint Stevens Retirement Plan for their salaried employees (the "Salaried Pension Plan") (together with the Hourly Pension Plan, the "Pension Plans"). The Pension Plans have been amended from time to time, and were most recently amended and restated effective January 1, 2001. The Pension Plans provide retirement and ancillary benefits to eligible employees and other participants. The Debtors have continued to contribute to the Pension Plans amounts required pursuant to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Internal Revenue Code of 1986, as amended (the "Tax Code"). On April 15, 2005, the Debtors were due to make a scheduled contribution to the Pension Plans of approximately $2.5 million. Due to uncertainty surrounding the Debtors' intentions with respect to the Pension Plans, this payment was not made.

As of the date hereof, the Debtors employ approximately 9,730 employees (the "Employees"). Approximately 1,594 of the Employees are salaried employees, with the balance of Employees earning wages on an hourly basis or other similar structure. Approximately 285 Employees of the Debtors' total Employee population are represented by labor organizations.

In accordance with Title IV of ERISA, 29 U.S.C. §§ 1301-1461, benefits under the Pension Plans are partly guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"). At retirement, Employees participating in the Pension Plans are entitled to receive their pension payments in the form of monthly annuity payments together with, in some instances, payment of a grandfathered portion in a lump sum distribution. Currently, approximately 10,700 WPSTV retired participants are

entitled to receive monthly annuity payments under the Pension Plans, and such payments have continued to be made in the ordinary course.

The Debtors estimate that the total amount of unfunded benefit liabilities under the Pension Plans as of January 1, 2004 is approximately $173 million, calculated using the Pension Benefit Guaranty Corporation's interest rate of 4.94% and certain mortality, retirement, and other assumptions. Over the next five years, minimum funding requirements for the Pension Plans will be $126.8 million, with the largest burdens falling in 2006 and 2007. The Debtors have notified participants in the Pension Plans that further benefit accruals under such plans will cease as of December 31, 2004 and, accordingly, that accrued benefits are "frozen" as of such date.

The Debtors and their advisors have met with the PBGC to discuss the Debtors' financial status, the alternatives available to them, and their ultimate need to terminate the Pension Plans in order to formulate and effectuate a chapter 11 Plan. The Debtors do not anticipate the Pension Plans will be assumed by the Purchaser. Accordingly, the Pension Plans will be terminated in connection with the sale and confirmation of the Debtors' Plan.

G. Claims Process and Bar Date

1. *Schedules and Statements.*

On August 18, 2003, the Debtors filed with the Bankruptcy Court a statement of financial affairs, schedules of assets and liabilities and schedules of executory contracts and unexpired leases and a schedule of equity security holders. The Debtors and their professionals prepared consolidating schedules and statements reflecting the individual liabilities of each of the Debtors.

On October 29, 2004, the Debtors filed amendments to both their schedules of assets and liabilities and their statements of financial affairs. Specifically, the Debtors filed amendments to schedule F for WestPoint Stevens Inc. and J.P. Stevens & Co., Inc. listing certain creditors whom the Debtors suspect had not received notice of the bar date and giving such creditors extended time to file proofs of claim in these cases. In addition, the Debtors filed amended SOFA 3a for WestPoint Stevens Inc., WestPoint Stevens Inc. I, and WestPoint Stevens Stores Inc. providing a revised list of those entities who received payments from the Debtors within the ninety (90) days prior to the filing of the Debtors' chapter 11 petitions.

2. *Bar Date*.

By order dated August 21, 2003, the Bankruptcy Court fixed October 3, 2003 at 5:00 p.m. as the last date and time by which proofs of claim were required to be filed in the Debtors' bankruptcy cases, except that governmental entities had until November 28, 2003 at 5:00 p.m. to timely file proofs of claim against the Debtors. In accordance with the order fixing the bar date, on or about August 29, 2003, notices informing creditors of the last date to timely file proofs of claims, and a "customized" proof of claim form, reflecting the nature, amount, and status of each creditor's Claim as reflected in the schedules of assets and liabilities, were mailed to all creditors listed on the schedules of assets and liabilities. In addition, consistent with that order, the Debtors caused to be published in the national editions of the *Wall Street Journal* and *New York Times* on September 8, 2003, and in the *Atlanta Journal Constitution* on September 22, 2003, notice of the last date to timely file proofs of claim. The Debtors have received over 3,400 proofs of claims in these cases.

H. Omnibus Claims Objection Motions

Unsecured Claims in excess of $1,193,563,392 have been asserted against the Debtors. In an effort to get a more accurate picture of the true nature and extent of the unsecured Claims, the Debtors commenced objecting to certain categories of unsecured Claims by filing their First Omnibus

Objection to Claims Against the Debtors and Motion to Disallow and Expunge such Claims on March 19, 2004. The Debtors have subsequently filed three additional omnibus claims objection motions, and more will be filed shortly. To date, all of the omnibus objections which have been decided by the Bankruptcy Court have been granted, except where the Debtors have agreed to continue or withdraw a motion as to a particular party.

The omnibus claims objection process has been extremely successful to date. Through the first three omnibus objections, the Bankruptcy Court has approved the expungement of 350 Claims in the aggregate amount of $232,740,739.87. The Debtors anticipate filing several more omnibus claims objection motions, as well as objections to specific Claims, before and after any confirmation of a plan.

I. Sale of International Operations

On August 28, 2003, the English High Court entered an administration order for the appointment of joint administrators of WestPoint Stevens (Europe) Limited, an indirect European subsidiary of WestPoint, pursuant to section 8 of the United Kingdom's Insolvency Act 1986.[3]

This administration order was discharged on August 26, 2004 by the English High Court. Prior to that discharge, joint liquidators were appointed to WestPoint Stevens (Europe) Limited by the creditors of the company. The joint liquidators are continuing to manage the company and expect an initial dividend to be made to creditors in the second quarter of 2005.

An application has been made to England Companies House to strike-off the WestPoint subsidiary, WestPoint Stevens (UK) Limited, and the three dormant subsidiaries of WestPoint Stevens (Europe) Limited, from the register of companies in England. This application is still pending.

J. Assumption of Significant Executory Contracts and Other Significant Motions

1. *Disney.*

Prior to the Commencement Date, the Debtors entered into that certain License Agreement, dated as of August 15, 2000 (as amended from time to time, the "License Agreement"), between WestPoint and Disney Enterprises, Inc. ("Disney"). The License Agreement allows the Debtors to produce a full assortment of Disney brand-name bedroom and bathroom home fashion products targeted to the juvenile market, primarily in the United States and Canada. Such products feature some of the most well-known Disney characters in the world. Pursuant to the License Agreement, the Debtors paid Disney licensing fees, as well as yearly royalty fees (subject to minimums) based on a percentage of revenue realized by the Debtors from the sale of products which utilize Disney's trademarked characters.

On or about May 28, 2003, Disney notified WestPoint that it had not met certain performance goals set forth in the License Agreement and that Disney was therefore exercising its option to terminate the License Agreement, effective as of December 31, 2003. The License Agreement originally had a termination date of December 31, 2005.

After extensive negotiations between the Debtors and Disney, the parties entered into that certain letter agreement, dated as of September 12, 2003 (the "Letter Agreement"). The Letter Agreement provided for a new license agreement, commencing January 1, 2004 (with the prepetition License Agreement expiring on December 31, 2003), and extended the Debtors' use of the Disney trademarks for an additional two years until December 31, 2005. The new license agreement contained terms similar to

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[3] The administration of WestPoint Stevens (Europe) Limited was commenced before the provisions of the United Kingdom's Enterprise Act 2002, amending the Insolvency Act 1986, came into force.

the existing License Agreement with certain economic terms significantly more favorable to the Debtors. Specifically, the new license agreement provided for a substantial reduction in the minimum royalty fees due in comparison to the minimums called for under the old License Agreement. Disney also agreed to a substantial reduction of the Debtors' anticipated 2003 royalty shortfall payment under the License Agreement, which was due on December 31, 2003. As consideration for Disney's agreement to enter into a new license agreement on economic terms beneficial to the Debtors and to significantly reduce the royalty shortfall payment, the Debtors assumed the License Agreement and issued a letter of credit for the benefit of Disney as security under the new license agreement. An order approving the assumption and entry into the new license agreement was entered by the Bankruptcy Court on September 30, 2003.

2. *Ralph Lauren*.

On November 11, 2003, the Debtors filed a motion with the Bankruptcy Court seeking approval of the assumption of an agreement (the "Ralph Lauren Agreement"), between WestPoint and Ralph Lauren Home Collection, Inc., Polo Ralph Lauren Corporation, and The Polo/Lauren Company, L.P. (collectively, "Ralph Lauren"), as amended. On December 19, 2003, the Bankruptcy Court entered an order approving the assumption of the Ralph Lauren Agreement.

The Ralph Lauren Agreement grants the Debtors an exclusive right to produce a full assortment of Ralph Lauren brand-name bedroom and bathroom home fashion products throughout the United States, Canada, Mexico, and most of Europe under certain licensed marks, including Ralph Lauren® and Ralph Lauren Home®. Products manufactured and sold by the Debtors under the terms of the Ralph Lauren Agreement include, for example, towels, coordinated bedding products, blankets, and down comforters.

The Debtors derive great benefits from their relationship with Ralph Lauren, which is a well-known, respected, and successful company whose branded products are marketed world-wide through proprietary stores as well as luxury and discount department stores. The Debtors have been Ralph Lauren's licensee for approximately twenty years, and were, in fact, the first manufacturers of the Ralph Lauren Home Collection. Currently, the Debtors are Ralph Lauren's second most successful license, in terms of revenue. The Ralph Lauren brand name is the most prestigious in the home fashions industry, and is a keystone of the Debtors' branding portfolio.

Pursuant to the Ralph Lauren Agreement, the Debtors pay Ralph Lauren yearly royalty fees based on a percentage of revenue realized by the Debtors from the sale of products utilizing Ralph Lauren's designs. These royalty fees are subject to yearly minimums in the aggregate amount of $124.5 million for 2003 through 2005.

The Ralph Lauren Agreement also obligates the Debtors to share in the costs associated with constructing and/or outbuilding up to four new Ralph Lauren Home stores in the aggregate amount of $6.4 million, and for WestPoint Stevens (Europe) Limited, the Debtors' European affiliate, to contribute up to $1 million for construction costs associated with opening a Polo/Ralph Lauren flagship store in London. Additional obligations of the Debtors under the Ralph Lauren Agreement include contributions for marketing and advertising costs, in the aggregate amount of $9.3 million for 2003 through 2005, as well as yearly contributions in the amount of $125,000 for design and travel costs.

In exchange for the Debtors' assumption of the Ralph Lauren Agreement, the Debtors obtained a total of $10.4 million in reductions of the royalty minimums provided for under the Ralph Lauren Agreement for the 2003-2005 periods. In addition, the Debtors obtained a $7.4 million concession with respect to any potential contribution for construction of new Ralph Lauren Home stores.[4]

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[4] The $7.4 million concession includes a $1 million concession for the Debtors' European affiliate.

The Ralph Lauren Agreement has a termination date of December 31, 2005. The parties are currently negotiating the terms of a new agreement to run through December 31, 2008.

3. *E.I. du Pont De Nemours and Company*

On November 11, 2003, the Debtors filed a motion seeking approval of the assumption of (a) that certain contract, as amended, between WestPoint and E.I. du Pont De Nemours and Company ("DuPont"), effective as of April 1, 2001 (the "PVA Contract") and (b) that certain DuPont™ *ARTISTRI*™ Ink Purchase Agreement between WestPoint and DuPont, dated August 27, 2001 (the "Ink Contract," and collectively with the PVA Contract, the "DuPont Contracts"). On November 24, 2003, the Bankruptcy Court entered an order approving the relief requested in the motion.

Under the DuPont Contracts, the Debtors purchase Polyvinyl alcohol ("PVA") to size yarn used in the majority of their product lines, including bath rugs, bath towels, bedspreads, comforters and duvet covers, sheets, pillowcases, and blankets. Sizing is used to stiffen yarn during the weaving process to minimize the risk of breakage as the yarn passes through looms to form a fabric. Sizing products other than PVA are not suitable for the Debtors' business because such alternatives are too thick and heavy for the particular yarns used in manufacturing the Debtors' product lines. Because of its smoother composition, PVA sizing is essential to the Debtors' continued business operation. Furthermore, PVA can be recovered after use and reused approximately four times, making PVA the most cost effective option to size yarn in the Debtors' manufacturing operations.

To ensure an uninterrupted supply of high-quality PVA at reasonable prices, the Debtors entered into the PVA Contract pursuant to which DuPont supplies approximately 3.75 million pounds of PVA annually, representing all of the PVA required for the Debtors' towel manufacturing operations.

Because of the critical need to maintain adequate supplies of PVA and Printer ink, the Debtors engaged in extensive, good faith, arm's-length negotiations with DuPont in order to reach an agreement for a continuation of the DuPont Contracts. In exchange for the Debtors' assumption of the Dupont Contracts, the Debtors obtained a 15% reduction of the total cure amount arising from such assumption. The Debtors also secured DuPont's agreement to amend the PVA Contract to provide for an extension of the term for one year, through March 31, 2005, and a change in the payment terms favorable to the Debtors. In the ordinary course of business, the Debtors extended the terms of the PVA Contract until September 30, 2005.

4. *Payment of Licensing and Business Fees*.

In connection with the normal operation of their businesses, the Debtors are required to pay various regulatory fees, including licensing and business fees, to federal, state, and local regulatory authorities (the "Regulatory Authorities"). Failure to make these payments in a timely manner may result in the imposition of fines or require the removal of the Debtors' products from stores' shelves in the applicable state.

Many states require that manufacturers of various household products attach "law labels" to their products and require that the manufacturers register with the states. This requirement arose in the early 1900s, when states began instituting "tagging laws" that required producers to affix labels to bedding products identifying their contents. The laws were intended to protect consumers from unwittingly purchasing a secondhand product that contained unsafe or unsanitary filling materials. The laws also protected reputable manufacturers selling mattresses containing all-new materials from competing at a disadvantage with producers selling bedding material with secondhand materials.

Today, the laws have expanded to require tagging of such products as mattresses, futons, bed pillows, carseats, comforters, crib bumper pads, cushions, decorative pillows, upholstered furniture (including chairs and sofas/loveseats), mattress pads, quilts, sleeping bags, and toys, to name a few.

Many states require some sort of labeling or registration, although some states do not. In states where registration is required, a Uniform Registry Number System exists for manufacturers that ship or sell in states or jurisdictions other than where the product is made so that only one registration number ("RN#") need be shown on the law label. All states or jurisdictions either require or allow an RN# on law labels and either accept or have formally adopted this system. Manufacturers that own multiple production facilities or plants must apply for an RN# for each location. Annual license fees (the "Licensing Fees") vary from state to state, as do the number of separate registration numbers issued for one or more company locations. For instance, if a manufacturer has four locations, a given state or jurisdiction may issue four separate licenses, while another state or jurisdiction may issue only one.

In addition, 15 U.S.C. §§ 68 (the "Textile Act"), 69 (the "Fur Act") and 70 (the "Wool Act"), along with the federal regulations issued in conjunction with those Acts (found at 16 C.F.R. Parts 300, 301, and 303, respectively) mandate labeling of covered and filled products with (a) the name or identifying number of a U.S. business responsible for manufacturing or marketing the product or the name of a foreign manufacturer, (b) the fiber content of the product, and (c) the country of origin of the product. The Federal Trade Commission (the "FTC") issues registered identification numbers ("RN numbers") to U.S. businesses that manufacture, import, distribute, or sell products covered by the Textile, Wool, and Fur Acts. Businesses are not required to obtain and use RN numbers, but may use their RN numbers on product labels in lieu of the company name. The Debtors have applied and use RN number 60873 in conjunction with these requirements.

On August 27, 2003, the Debtors filed a motion seeking authority to continue to pay licensing and business fees in the ordinary course of business. On September 23, 2003, the Bankruptcy Court entered an order granting the relief requested in the motion.

The Debtors paid approximately $470,000 in business fees in accordance with the approval of the motion.

5. *Lease Plan U.S.A.*.

On June 11, 2004, the Debtors filed a motion seeking approval of a certain Vehicle Lease Agreement, dated November 25, 1992 (the "Lease Plan Contract"), with Lease Plan U.S.A., Inc. ("Lease Plan") to facilitate the leasing of vehicles necessary to the Debtors' business operations (the "Vehicles"). On June 25, 2004, the Bankruptcy Court entered an order approving the relief requested in the motion.

The Vehicles play a crucial role in the efficient operation of the Debtors' businesses. The Vehicles are used as both executive cars for the transportation of the Debtors' management and sales force throughout the diverse offices and plants, and as facility automobiles used for internal transport of raw materials and products. Absent the Vehicles, the Debtors would incur significant additional costs associated with the purchase and service of automobiles as well as the higher costs of reimbursement to management and salespeople.

Because of the importance of the Vehicles to the Debtors' operations, the Debtors must be able to lease new Vehicles as the need arises. Following the Commencement Date, the Debtors were informed by Lease Plan that no new lines of credit would be available for new leases or trade-ins of older models unless the Debtors agreed to assume the Lease Plan Contract. Faced with the inability to continue to lease new Vehicles, the Debtors conducted an exhaustive search to find possible alternatives to Lease Plan. The Debtors were unable to identify any alternative equipment lessor who would be able to provide terms more favorable to the Debtors' than those contained in the Lease Plan Contracts.

The Debtors engaged in extensive, arms length negotiations with Lease Plan to ensure the Debtors' ability to continue to lease new Vehicles pursuant to the Lease Plan Contract. The Debtors and Lease Plan have agreed that subsequent to the assumption of the Contracts by the Debtors, Lease Plan will agree to open the Debtors' credit line to allow the leasing of an additional 25 vehicles until April 30,

2005. In exchange, the Debtors will assume the Lease Plan Contract on slightly modified terms which Lease Plan has insisted are necessary to remain competitive in the leasing market. The modified terms for the Lease Plan Contract include (a) an increase in the spread from 30 day LIBOR +.35% to 30 day LIBOR +2.00%, (b) an increase in the monthly administrative fee from .055% to .075%, and (c) a shortening of the maximum depreciation from 50 to 45 months. The Debtors have determined that notwithstanding the modifications to the rates, the Lease Plan Contract continues to provide the best opportunity for the Debtors to continue to lease the Vehicles.

The Debtors' agreement with Lease Plan expired on April 30, 2005. The parties are currently in negotiations regarding the terms of an extension of the existing agreement or entry into a new one.

6. *Reckson 1185 Avenue of the Americas, LLC.*

The Debtors are party to a lease of nonresidential real property in New York, New York with Reckson 1185 Avenue of the Americas, LLC ("Reckson"). During the course of chapter 11 cases, the Debtors twice modified the lease (as modified, the "Reckson Lease"). The modifications and assumption of the Reckson Lease were approved by two orders of the Bankruptcy Court entered on December 18, 2003 and July 16, 2004, respectively.

Pursuant to the Reckson Lease, the Debtors rent the 9th through 13th floors, the entire 15th floor, and 10,150 square feet in the basement of the building (collectively, the "Premises"). In addition, the Premises is subject to a sublease with Ralph Lauren, under which Ralph Lauren occupies the entire 9th floor and a portion of the 10th floor. The Premises are used by the Debtors as their principal headquarters in New York for administrative, marketing, and other corporate offices. The Debtors are currently considering their options regarding their future obligations under the Reckson Lease.

7. *Extension of Period During Which the Debtors May Assume or Reject Unexpired Leases of Nonresidential Real Property.*

By order dated July 29, 2003, the Bankruptcy Court authorized an extension of the Debtors' time period within which to assume or reject their unexpired leases of nonresidential real property (the "Unexpired Leases") through and including December 1, 2003 (the "First Extension Order"). By subsequent orders the Bankruptcy Court extended the Debtors' time period within which to assume or reject their unexpired leases of nonresidential real property until the earlier of June 30, 2005 or the Confirmation Date (collectively with the First Extension Order, the "Extension Orders"). All of the Debtors' unexpired nonresidential real property leases which have not been assumed and are not being assumed pursuant to the APA, will be deemed rejected pursuant to section 365(d)(4) of the Bankruptcy Code.

As of the Commencement Date, the Debtors were party to approximately 82 Unexpired Leases. Since that time, the Debtors have closed sixteen stores, three offices, two plants, and, where appropriate, rejected the respective leases at such locations pursuant to orders of the Bankruptcy Court dated, August 14, September 23, October 23, 2003, and September 28, 2004. Accordingly, the Debtors have reduced the number of Unexpired Leases in their estates to approximately 56.

8. *Approval of Funding of Defense Costs for Certain Officers and Directors.*

On September 3, 2003, a motion was filed by current and former officers and directors of WestPoint seeking relief from the automatic stay and approving defense funding under the Executive and Organization Liability Insurance Policy issued to the movants and to WestPoint by National Fire Insurance Co. of Pittsburgh, Pa., a division of American International Companies. On September 23, 2003, the Bankruptcy Court entered an order granting the relief requested in the motion.

The Debtors and certain of their officers and directors have been named as defendants in purported stockholder class action and derivative suits. The Executive and Organization Liability Insurance Policy provides direct liability coverage for executives from any loss from a claim or any wrongful act, including defense costs and crisis loss. In addition, the policy also provides coverage for losses arising from securities claims. Accordingly, the movants sought authority for the Debtors' insurance policy to make payments in connection with the defense of the actions. As set forth in section V.D. above, these actions have all been either settled or dismissed.

K. Retention of Kurt Salmon Associates

Upon the completion of the Debtors' 2004 budget review, the Debtors identified the need to more closely address the threat of lower cost, foreign competition and revise their long-term business plan accordingly. In connection therewith, the Debtors retained Kurt Salmon Associates, Inc. ("KSA"), a recognized expert in developing and implementing sophisticated international production and sourcing capabilities for large manufacturers and retailers, to assist in evaluating their options to compete against foreign competition and to develop an integrated global operations strategy (the "KSA Report"). The KSA Report was completed and presented to the Debtors' creditor constituencies on June 30, 2004. KSA's analysis underscored the critical need for the Debtors to further develop their overseas presence to remain competitive. An increased overseas presence would provide the Debtors with low cost manufacturing facilities to ensure competitiveness and selective sourcing to provide marketing flexibility.

After conducting an extensive analysis of KSA's recommendations, the Debtors determined that due to immediate capital constraints, its needs would be best served by initially focusing on domestic rationalization. In the event WestPoint deems it necessary to pursue a more aggressive timeline concerning domestic rationalization and foreign transaction alternatives, an additional near term equity investment of up to approximately $200,000,000 will be necessary to meet the Cash requirements for such operational moves.

L. Exclusivity

On September 23, 2003, the Debtors filed a motion with the Bankruptcy Court, seeking an extension of the periods within which they can exclusively file a chapter 11 plan (the "Exclusive Filing Period"), and solicit acceptances thereof (the "Exclusive Solicitation Period" and together with the Exclusive Filing Period, the "Exclusive Periods"), for an additional one hundred eighty (180) days, through March 29, 2004 and May 28, 2004, respectively, without prejudice to their right to seek additional extensions thereof. On October 23, 2003, the Bankruptcy Court entered an order approving the extension of the Exclusive Periods. Subsequent orders were entered extending the Exclusive Periods through January 20, 2005 and March 21, 2005. On January 20, 2005, the Debtors filed their initial chapter 11 plan and disclosure statement related thereto. On April 7, 2005, the Bankruptcy Court entered an order further extending the Debtors' Exclusive Solicitation Period through and including August 31, 2005.

M. Asset Dispositions

Over the course of the Debtors' chapter 11 cases, WestPoint has disposed of certain assets unnecessary to their core operations. Pursuant to that certain Order Approving Expedited Procedures for Sale of De Minimis Assets and Abandonment of Certain Property dated, August 13, 2003, the Debtors have sold assets, including miscellaneous machinery and equipment, in the total amount of approximately $8 million as of August 31, 2004.

In addition, on April 26, 2005, the Debtors filed a motion seeking entry of an order authorizing the sale of a parcel of real property located in Roanoke Rapids, North Carolina to Stan Spealman ETUX for a purchase price of $1.8 million. On May 17, 2005, the Bankruptcy Court entered

an order granting the motion and authorizing the Debtors to consummate the sale. The sale transaction is scheduled to close in June 2005.

Further, on June 8, 2005, the Debtors filed a motion seeking entry of an order authorizing the sale of a parcel of real property located in Hickory, North Carolina to Industrial Realty Group for a purchase price of $2.8 million. A hearing to consider the relief requested in the motion is currently scheduled for June 29, 2005.

N. Entry Into A Stalking Horse Agreement and Approval of Bidding Procedures

As set forth in more detail in section VI below, on February 28, 2005, the Debtors entered into an asset purchase agreement (subject to Bankruptcy Court approval) with New Textile Holding Co., a Delaware corporation ("NTH"), and New Textile Co., a Delaware corporation and wholly-owned subsidiary of NTH ("NTC"), for the sale to NTC of substantially all of the Debtors' assets. NTH is owned by an investor group that consists of WL Ross & Co. LLC and members of the Steering Committee (collectively, the "Investor Group").

Under the agreement, the purchase price for the assets consisted of (i) newly issued units (the "Units") comprised of 50% of the outstanding shares of common stock of NTH and 50% of the outstanding preferred stock of NTC, which were to be distributed to the First Lien Lenders, (ii) rights to acquire additional Units, comprised of the additional 50% of the outstanding shares of common stock of NTH and 50% of the outstanding preferred stock of NTC, pursuant to a rights offering for an aggregate purchase price of $207.5 million, under which all of the First Lien Lenders would have the equal right to participate, and in certain circumstances, the Second Lien Lenders could participate, (iii) the payment in full of all outstanding indebtedness under the DIP Credit Agreement, and (iv) the assumption of certain liabilities. The equity to be issued under the agreement would be subject to dilution pursuant to a one year warrant to be issued to WL Ross & Co. LLC to purchase 10% of the fully diluted common stock of NTH and preferred stock of NTC, at an exercise price based upon the midpoint of WestPoint's enterprise value as determined by Rothschild Inc., the Debtors' financial advisor, subject to certain adjustments.

In connection with the agreement, the Investor Group entered into a commitment agreement pursuant to which they agreed, among other things, to purchase any Units not purchased in the rights offering and to release $10.0 million from the Adequate Protection Escrow to the Second Lien Lenders if they did not object to the transaction. NTH's and NTC's initial boards of directors would be comprised of (i) three directors selected by WL Ross & Co. LLC, (ii) three directors selected by the Steering Committee, (iii) one director selected by Icahn Associates, and (iv) two directors selected by mutual agreement of WL Ross & Co. LLC and the Steering Committee.

Shortly after their entry into the agreement with the Investor Group, the Debtors filed a motion pursuant to section 363(b) of the Bankruptcy Code seeking Bankruptcy Court approval to enter into the agreement, subject to higher or better offers, bidding procedures, and the payment of a break-up fee. At a hearing conducted on April 7, 2005, the Bankruptcy Court declined to authorize the payment of a break-up fee and therefore denied the motion. The Debtors terminated the agreement with the Investor Group on April 21, 2005.

At the April 7, 2005 hearing, the Bankruptcy Court encouraged the Debtors to pursue a sale of substantially all of their assets pursuant to a chapter 11 plan. Accordingly, on April 15, 2005, the Debtors filed with the Bankruptcy Court a subsequent motion for approval of revised bidding procedures in connection with the sale of substantially all of their assets. At a hearing conducted on April 22, 2005, the Bankruptcy Court granted the motion and scheduled an auction for June 21, 2005 and the Purchaser Selection Hearing for June 24, 2005.

O. Avoidance Actions

The Debtors are in the process of commencing a number of actions to avoid and recover preferential and fraudulent transfers for the benefit of the Debtors' estates, in accordance with sections 544, 547, 548 and 550 of the Bankruptcy Code. On May 17, 2005, Stein Riso Mantel, LLP, Special Counsel to the Debtors, filed a motion seeking authorization for the establishment of procedures to settle adversary proceedings brought in connection with these Avoidance Actions. The motion is scheduled to be heard by the Bankruptcy Court on June 15, 2005. The Debtors have filed Avoidance Actions in the approximate aggregate amount of $31,436,644.77. Recoveries realized in connection with these proceedings will be distributed to holders of Beneficial Interests in accordance with the terms of the Plan and the Liquidating Trust.

VII.

Sale Process

Over the course of the their chapter 11 cases, the Debtors have attempted to reach a consensus with their creditor constituencies on the terms of a chapter 11 plan of reorganization. Specifically, the Debtors (i) delivered a revised business plan on August 20, 2004 (the "Revised Business Plan"), (ii) presented a valuation of the Debtors as a going concern on September 20, 2004 (the "Valuation Report"), (iii) distributed a term sheet outlining a potential restructuring plan on October 8, 2004, (iv) distributed a draft chapter 11 plan on November 30, 2004, (v) distributed a draft disclosure statement on December 10, 2004, (vi) held extensive discussions with the First Lien Lenders and Second Lien Lenders throughout this period, and (vii) filed a "compromise" chapter 11 plan (the "Compromise Plan") and disclosure statement related thereto prior to the expiration of the Exclusive Filing Period on January 20, 2005.

The problem facing the Debtors is that the Steering Committee and Icahn each demand control of the restructured Company and they each hold a "blocking" position in Class C. The Debtors pursued various alternatives to attempt to bridge the gap between the two parties, including filing the Compromise Plan. The Compromise Plan provided for a five-person board of directors, two of which would be appointed by the Steering Committee, two of which would be appointed by Icahn, and one of which would be appointed by the persons investing new equity capital in the Debtors.

In light of the stalemate among the First Lien Lenders, the Debtors, at the urging of both the Steering Committee and Icahn, concluded to sell substantially all their assets (i.e., their ongoing business operations) to a third party and use the proceeds to satisfy the liens that encumber such assets, with any value in excess of all secured Claims being made available for distribution to unsecured creditors.

As described in section VI.N, above, the Debtors entered into a stalking horse contract (the "Stalking Horse Contract") with the Steering Committee and W.L. Ross LLC. As part of its opposition to approval of the stalking horse contract, Icahn filed a proposal. Both proposals contemplated the creation of a newly formed purchaser to acquire substantially all of the Debtors' assets. Under each proposal, the consideration for the assets would consist of (i) common stock of a newly formed parent company of the purchaser (and, in the case of the Stalking Horse Contract, preferred stock of the purchaser), (ii) rights to acquire additional stock, (iii) the payment in full of all outstanding indebtedness under the DIP Credit Agreement, and (iv) the assumption of specified liabilities. In connection with the rights offering, each proposal included a back-stop commitment to acquire any shares of stock not purchased in the rights offering.

At a hearing conducted on April 7, 2005, the Bankruptcy Court denied the Debtors' request for approval of the bidding procedures and authorization to pay a break-up fee, and directed the Debtors to attempt to proceed with a sale of substantially all of their assets pursuant to a chapter 11 plan.

As a result of the Bankruptcy Court's ruling, on April 21, 2005, the Stalking Horse Contract was terminated, and the Debtors immediately began pursuit of a sale of substantially all of their assets in the absence of a stalking horse agreement or break-up fee and pursuant to a chapter 11 plan.

On April 15, 2005, the Debtors filed with the Bankruptcy Court a motion to approve revised bidding procedures in connection with the sale of substantially all the Debtors' assets. At a hearing conducted on April 22, 2005, the Bankruptcy Court entered the Bidding Procedures Order which approved the revised bidding procedures and scheduled an auction (the "Auction") for June 21, 2005 and the Purchaser Selection Hearing for June 24, 2005. The revised bidding procedures provide that the successful bidder at the Auction will be entitled to (a) become a plan sponsor and have the sale consummated pursuant to an order confirming the Debtors' chapter 11 plan, or (b) have the sale consummated pursuant to section 363(b) of the Bankruptcy Code. The Debtors held the Auction on June 21, 2005, and selected [_____] as the winning bid. On June 24, 2005, the Bankruptcy Court approved the Debtors' selection. The key features of the winning bid are as follows:

[to be inserted after June 24]

VIII.

Means of Implementation

A. Sale of the Debtors

The filing of the Plan constitutes a motion for an order of the Bankruptcy Court approving, pursuant to Bankruptcy Code sections 363, 365, 1123 and 1129, the APA and the transactions contemplated thereunder, including, without limitation, the sale of the Debtors' assets free and clear of all liens, Claims, encumbrances, and other interests and the assumption and assignment of the Assigned Contracts and Leases thereunder. In the event that the Bankruptcy Court denies confirmation of the Plan, the Debtors have reserved the right to request that the Confirmation Hearing constitute a Sale Hearing on the authorization for the Debtors to sell their assets to the Purchaser pursuant to sections 363 and 365 of the Bankruptcy Code.

B. Issuance and Resale of New Securities Under the Plan.

The Purchaser is authorized to issue all Plan-related securities and documents set forth in the APA.

C. Establishment of the Liquidating Trust and Appointment of a Liquidating Trustee

The Debtors have sought approval to sell all or substantially all of their assets at an Auction to be held on June 21, 2004 to the highest or otherwise best bidder. The consideration to be received from the sale will be distributed to creditors in order of their priority. The Avoidance Actions and certain other assets not assumed by Purchaser under the APA (for example, tax refunds) are not being sold pursuant to the APA. Accordingly, the Debtors are establishing a Liquidating Trust for the benefit of their creditors to distribute the recoveries from the Avoidance Actions and any remaining assets which are not being sold pursuant to the APA to their creditors.

1. *Creation of Beneficial Interests in the Liquidating Trust.*

There will be three sets of Beneficial Interests created and distributed in connection with the Liquidating Trust. Series A Beneficial Interests will be created for the benefit of holders of Second Lien Lender Claims on account of any superpriority Administrative Expense Claim awarded to the Second Lien Lenders by the Bankruptcy Court. In the event no superpriority Administrative Expense Claim is awarded to the holders of Second Lien Lender Claims, no Series A Beneficial Interests shall be

distributed. If the value of the Liquidating Trust Assets exceeds the amount of the superpriority Administrative Expense Claim awarded to the Second Lien Lenders, or if no such Claim is awarded, then Series B Beneficial Interests will be created for the benefit of holders of Non-Assumed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Tax Claims, and Priority Non-Tax Claims, and Series C Beneficial Interests will be created for the benefit of holders of General Unsecured Claims, Noteholder Claims, and PBGC Claims. If the unpaid Second Lien Lender Claims exceed the amount of any superpriority Administrative Expense Claims awarded to the Second Lien Lenders by the Bankruptcy Court, such excess shall be treated as Class E General Unsecured Claims. In the event the value of the Liquidating Trust Assets does not exceed the amount of the superpriority Administrative Expense Claim awarded to the Second Lien Lenders by the Bankruptcy Court, no Liquidating Trust will be created. Instead, the Avoidance Actions and other assets designated for the Liquidating Trust will be assigned directly to the Second Lien Lender Administrative Agent for distribution to holders of Second Lien Lender Claims only. The Second Lien Lender Administrative Agent will be responsible for and required to file local, state, and federal tax returns upon WestPoint's dissolution, request an expedited determination of the Debtors' tax liability, and represent the Debtors before the applicable taxing authorities.

2. *Nontransferability of Liquidating Trust Interests.*

The Beneficial Interests in the Liquidating Trust will not be certificated and will not be transferable, except by will or the laws of descent and distribution.

3. *Appointment of a Liquidating Trustee.*

The Second Lien Lender Administrative Agent shall designate, with the consent of the Creditors Committee and the Debtors (which consent shall not be unreasonably withheld), a trustee (the "Liquidating Trustee") to administer the Liquidating Trust if Series A Beneficial Interests are issued as described in section VIII.C.1. above. In the event no Series A Beneficial Interests are issued, the Creditors Committee, with the consent of the Debtors (which consent shall not be unreasonably withheld), shall designate the Liquidating Trustee. The Liquidating Trustee's appointment shall be effective on the Effective Date without the need for a further order of the Bankruptcy Court.

4. *Execution of the Liquidating Trust Agreement.*

The Liquidating Trust Agreement shall be executed by the Liquidating Trustee and the Debtors on the Effective Date.

5. *Purpose of the Liquidating Trust.*

The Liquidating Trust shall be established for the sole purpose of liquidating and distributing its assets (the "Liquidating Trust Assets") in accordance with Treasury Regulation section 301.7701-4(d). The objective of the Liquidating Trust shall not be to continue or engage in the conduct of a trade or business.

6. *Assignment of Trust Assets.*

The Debtors shall transfer, and shall be deemed to have transferred, the Liquidating Trust Assets on the Effective Date, or as soon thereafter as practicable, for and on behalf of the beneficiaries of the Liquidating Trust free and clear of all liens, Claims, encumbrances, and other interests.

7. *Role of the Liquidating Trustee*.

In furtherance of and consistent with the purpose of the Liquidating Trust and the Plan, the Liquidating Trustee shall have the power and authority to (A) hold, manage, sell, and distribute the

Liquidating Trust Assets to the holders of Beneficial Interests, (B) hold, manage, sell, and distribute Cash or non-Cash Liquidating Trust Assets obtained through the exercise of its power and authority, (C) prosecute and resolve, in the names of the Debtors and/or the name of the Liquidating Trustee, the Avoidance Actions, (D) prosecute and resolve objections to Disputed Claims, (E) perform such other functions as are provided in the Plan or the Liquidating Trust Agreement, and (F) administer the closure of the chapter 11 cases. The Liquidating Trustee shall be responsible for all decisions and duties with respect to the Liquidating Trust and the Liquidating Trust Assets. In all circumstances, the Liquidating Trustee shall act in the best interests of all beneficiaries of the Liquidating Trust and in furtherance of the purpose of the Liquidating Trust.

The Liquidating Trustee shall have the exclusive right to enforce any and all Avoidance Actions against any person and the right to enforce causes of action not enforced by the Debtors. The Liquidating Trustee may pursue, abandon, settle or release any or all causes of action not pursued by the Debtors and Avoidance Actions as it deems appropriate, without the need to obtain approval or any other or further relief from the Bankruptcy Court. The Liquidating Trustee may offset any Claim with respect to Avoidance Actions and causes of action not pursued by the Debtors held against a person against any payment due such person under the Plan, provided, however, that any claims of the Debtors arising before the Commencement Date shall first be offset against Claims against the Debtors arising before the Commencement Date.

8. *Distribution of Liquidating Trust Assets.*

Beginning on the Effective Date, or as soon thereafter as is practicable, and at least annually, the Liquidating Trustee will distribute the Liquidating Trust Assets in accordance with the Liquidating Trust Agreement, except such amounts (i) as would be distributable to a holder of a Disputed Claim if such Disputed Claim had been Allowed prior to the time of such distribution (but only until such Claim is resolved), (ii) as are reasonably necessary to meet contingent liabilities and to maintain the value of the Liquidating Trust Assets during liquidation, (iii) to pay reasonable expenses (including, but not limited to, any taxes imposed on the Liquidating Trust or in respect of the Liquidating Trust Assets), and (iv) to satisfy other liabilities incurred by the Liquidating Trust in accordance with the Plan or the Liquidating Trust Agreement.

9. *Retention of Professionals by the Liquidating Trustee.*

The Liquidating Trustee may retain and reasonably compensate counsel and other professionals to assist in its duties as Liquidating Trustee on such terms as the Liquidating Trustee deems appropriate without Bankruptcy Court approval. The Liquidating Trustee may retain any professional who represented parties in interest in the chapter 11 cases.

10. *Income Tax Reporting of the Liquidating Trust.*

The Plan provides for the following tax treatment of the Liquidating Trust and the holders of Beneficial Interests in the Liquidating Trust. For additional discussion of such treatment see section XII hereof, "Certain Federal Income Tax Consequences of the Plan."

(a) *Liquidating Trust Assets Treated as Owned by Creditors*.

For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Liquidating Trustee, and the holders of Beneficial Interests) will treat the transfer of the Liquidating Trust Assets to the Liquidating Trust for the benefit of the holders of Non-Assumed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Tax Claims, Priority Non-Tax Claims, Second Lien Lender Claims, General Unsecured Claims, Noteholder Claims and PBGC Claims, whether Allowed on or after the Effective Date, as (A) a transfer of the Liquidating Trust Assets directly to the holders of such Claims in satisfaction of such Claims (other than to the extent allocable to Disputed

Claims), followed by (B) the transfer by such holders to the Liquidating Trust of the Liquidating Trust Assets in exchange for Beneficial Interests in the Liquidating Trust. Accordingly, the holders of such Claims will be treated for federal income tax purposes as the grantors and owners of their respective shares of the Liquidating Trust Assets. The foregoing treatment will also apply, to the extent permitted by applicable law, for state and local income tax purposes.

(b) *Tax Reporting*.

(i) The Liquidating Trustee will file returns for the Liquidating Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a) and in accordance with Section 9.12(b) of the Plan. The Liquidating Trustee will also annually send to each record holder of a Beneficial Interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction, or credit and will instruct all such holders to report such items on their federal income tax returns or to forward the appropriate information to the beneficial holders with instructions to report such items on their federal income tax returns. The Liquidating Trust's taxable income, gain, loss, deduction, or credit will be allocated (subject to Sections 9.12(b)(iii) and (iv) of the Plan) to the holders of Series A, Series B, and Series C Beneficial Interests in accordance with their relative beneficial interests in the Liquidating Trust.

(ii) As soon as practicable after the Effective Date, the Liquidating Trustee will make a good faith valuation of the Liquidating Trust Assets. Such valuation will be made available from time to time, to the extent relevant, and used consistently by all parties (including, without limitation, the Debtors, the Liquidating Trustee and the holders of Beneficial Interests) for all federal income tax purposes. The Trustee will also file (or cause to be filed) any other statements, returns, or disclosures relating to the Liquidating Trust that are required by any governmental unit.

(iii) Allocations of Liquidating Trust taxable income will be determined by reference to the manner in which an amount of Cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described herein) if, immediately prior to such deemed distribution, the Liquidating Trust had distributed all of its other assets (valued at their tax book value) to the holders of the Beneficial Interests (treating certain pending disputed Second Lien Lender Claims, Non-Assumed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Tax Claims, Priority Non-Tax Claims, General Unsecured Claims, Noteholder Claims and PBGC Claims as if they were Allowed Claims; see section VIII.C.10.(b)(iv), below) in each case up to the tax book value of the assets treated as contributed by such holders, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Liquidating Trust. Similarly, taxable loss of the Liquidating Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Liquidating Trust Assets. The tax book value of the Liquidating Trust Assets for this purpose shall equal their fair market value on the Effective Date, adjusted in accordance with tax accounting principles prescribed by the Tax Code, the applicable tax regulations, and other applicable administrative and judicial authorities and pronouncements.

(iv) Absent definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Liquidating Trustee of a private letter ruling if the Liquidating Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Liquidating Trustee), the Liquidating Trustee will (A) treat any Liquidating Trust Assets allocable to, or retained on account of, Beneficial Interests that would be distributed to holders of disputed Second Lien Lender Claims, Non-Assumed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Tax Claims, Priority Non-Tax Claims, General Unsecured Claims, Noteholder Claims and PBGC Claims if such Claims were Allowed as held by one or more discrete trusts for federal income tax purposes (the "Liquidating Trust Claims Reserve"), consisting of separate and independent shares to be established in respect of each Disputed Claim, in accordance with the trust provisions of the Tax Code (section 641 et seq.), (B) treat as taxable income or loss of the Liquidating Trust Claims Reserve, with respect to any given taxable year, the portion of the taxable income or loss of

the Liquidating Trust that would have been allocated to the holders of such Disputed Claims had such Claims been Allowed on the Effective Date (but only for the portion of the taxable year with respect to which such Claims are unresolved), (C) treat as a distribution from the Liquidating Trust Claims Reserve any increased amounts distributed by the Liquidating Trust as a result of any such Disputed Claims resolved earlier in the taxable year, to the extent such distributions relate to taxable income or loss of the Liquidating Trust Claims Reserve determined in accordance with the provisions hereof, and (D) to the extent permitted by applicable law, report consistent with the foregoing for state and local income tax purposes. In addition, pursuant to the Plan, all holders of Beneficial Interests are required to report consistently with such treatment.

(v) The Liquidating Trustee will be responsible for payments, out of the Liquidating Trust Assets, of any taxes imposed on the Liquidating Trust or the Liquidating Trust Assets, including the Liquidating Trust Claims Reserve. In the event, and to the extent, any Cash retained on account of Disputed Claims in the Liquidating Trust Claims Reserve is insufficient to pay the portion of any such taxes attributable to the taxable income arising from the assets allocable to, or retained on account of, such Disputed Claims, such taxes will be (A) reimbursed from any subsequent Cash amounts retained on account of such Disputed Claims, or (B) to the extent such Disputed Claims have subsequently been resolved, deducted from any amounts distributable by the Liquidating Trustee as a result of the resolutions of such Disputed Claims.

(vi) The Liquidating Trustee may request an expedited determination of taxes of the Liquidating Trust, including the Liquidating Trust Claims Reserve, under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Liquidating Trust for all taxable periods through the dissolution of the Liquidating Trust.

(vii) As of the Effective Date, the Liquidating Trustee will be authorized and directed to exercise all powers regarding the Debtors' tax matters, including filing tax returns, to the same extent as if the Trustee were the Debtor in Possession. The Trustee Liquidating will (A) complete and file within the applicable time periods proscribed by law, to the extent not previously filed, the Debtors' final federal, state, and local tax returns, (B) request an expedited determination of any unpaid tax liability of the Debtors under section 505(b) of the Bankruptcy Code for all tax periods of the Debtors ending after the Commencement Date through the liquidation of the Debtors as determined under applicable tax laws, to the extent not previously requested, and (C) represent the interest and account of the Debtors before any taxing authority in all matters, including, but not limited to, any action, suit, proceeding, or audit.

11. *Compensation and Indemnification of the Liquidating Trustee*

The costs and expenses of the Liquidating Trust, including fees and reasonable expenses of its retained professionals, will be paid out of the Liquidating Trust. Except as provided in the Plan or the Liquidating Trust Agreement, neither the Liquidating Trustee nor its agents or professionals shall bear any liability for actions taken or omitted in its capacity as, or on behalf of, the Liquidating Trustee, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its actions or inactions in its capacity as, or on behalf of, the Liquidating Trustee. Any indemnification claim of the Liquidating Trustee (and the other parties entitled to indemnification under Section 9.14 of the Plan) shall be satisfied from the Liquidating Trust Assets. The Liquidating Trustee shall be entitled to rely, in good faith, on the advice of its retained professionals.

12. *Dissolution of the Liquidating Trust.*

The Liquidating Trustee and the Liquidating Trust will be discharged or dissolved, as the case may be, at such time as (i) all Disputed Claims have been resolved, (ii) all Liquidating Trust Assets have been liquidated, and (iii) all distributions required to be made by the Liquidating Trustee under the Plan have been made, but in no event shall the Liquidating Trust be dissolved later than five (5) years from the Effective Date unless the Bankruptcy Court, upon motion within the six (6) month period prior

to the fifth (5th) anniversary (and, in the case of any extension, within six (6) months prior to the end of such extension), determines that a fixed period extension (not to exceed three (3) years, together with any prior extensions, without a favorable letter ruling from the Internal Revenue Service that any further extension would not adversely affect the status of the Liquidating Trust as a liquidating trust for federal income tax purposes) is necessary to facilitate or complete the recovery and liquidation of the Liquidating Trust Assets or the dissolution of the Debtors.

13. *Closing of the Chapter 11 Cases.*

When all Disputed Claims filed against the Debtors have become Allowed Claims or have been disallowed by Final Order, and all of the Liquidating Trust Assets have been distributed in accordance with the Plan, the Liquidating Trustee shall seek authority from the Bankruptcy Court to close the chapter 11 cases in accordance with the Bankruptcy Code and the Bankruptcy Rules.

IX.

Other Aspects of the Plan

A. Distributions

One of the key concepts under the Bankruptcy Code is that only claims and equity interests that are "allowed" may receive distributions under a chapter 11 plan. This term is used throughout the Plan and the descriptions below. In general, an "allowed" claim or an "allowed" equity interest simply means that the debtor agrees, or in the event of a dispute, that the bankruptcy court determines, that the claim or interest, and the amount thereof, is in fact a valid obligation of the debtor.

Any Claim that is not a Disputed Claim and for which a proof of claim has been filed is an Allowed Claim. Any Claim that has been listed by any Debtor in such Debtor's schedules of assets and liabilities, as may be amended from time to time, as liquidated in amount and not disputed or contingent is an Allowed Claim in the amount listed in the schedules unless an objection to such Claim has been filed. If the holder of such Claim files a proof of claim in an amount different than the amount set forth on the Debtors' schedules of assets and liabilities, the Claim is an Allowed Claim for the lower of the amount set forth on the Debtors' schedules of assets and liabilities and on the proof of claim and a Disputed Claim for the difference. Any Claim that has been listed in the Debtors' schedules of assets and liabilities as disputed, contingent, or not liquidated and for which a proof of claim has been timely filed is a Disputed Claim. Any Claim for which an objection has been timely interposed is a Disputed Claim. For an explanation of how Disputed Claims will be determined, see section IX.A.3.

An objection to any Claim may be interposed by the Debtors or the Liquidating Trustee (or, if the Liquidating Trust is not established, the Second Lien Lender Administrative Agent) within 120 days after the Effective Date or such later date as may be fixed by the Bankruptcy Court. Any Claim for which an objection has been interposed will be an Allowed Claim to the extent the objection is determined in favor of the holder of the Claim.

1. *Distributions Through Agents*.

Distributions to the holders of First Lien Lender Claims (Class C) and Second Lien Lender Claims (Class D) will be made through their respective agents. All distributions made to holders of Second Lien Lender Claims pursuant to the Plan will be made in accordance with the terms and conditions of that certain Intercreditor and Lien Subordination Agreement, dated June 29, 2001, by and among WestPoint, Bank of America, N.A., and Bankers Trust Company. Distributions to the holders of Noteholder Claims (Class F) will be made through the respective indenture trustees for the public debt instruments representing such Claims. Distributions to holders of General Unsecured Claims (Class E)

and PGBC Claims (Class G) will be made by a representative appointed by the Debtors or the Liquidating Trustee.

2. *Timing and Conditions of Distributions.*

(a) *Date of Distribution*.

Except as otherwise provided for in the Plan, distributions on account of Allowed Claims will be made on the Effective Date (or as soon thereafter as is practicable) or within thirty (30) days after the order allowing a Disputed Claim becomes a Final Order. Disputed Claims will be treated as set forth below.

(b) *Surrender of Certain Securities Necessary for Distribution.*

Plans of reorganization generally require a holder of an instrument or security of a debtor to surrender such instrument or security prior to receiving a new instrument or security in exchange therefore under a plan. This rule avoids disputes regarding who is the proper recipient of instruments or securities under a plan.

As a condition to receiving any distribution under the Plan, each holder of a certificated instrument or note must surrender such instrument or note held by it to the Disbursing Agent or its designee, unless waived by the Debtors. Any holder of such instrument or note that fails to (i) surrender such instrument or note, or (ii) execute and deliver an affidavit of loss and/or indemnity reasonably satisfactory to the Disbursing Agent and furnish a bond in form, substance, and amount reasonably satisfactory to the Disbursing Agent before the first anniversary of the Effective Date may be deemed to have forfeited all rights and Claims and may be deemed unable to participate in any distribution under the Plan. Any distribution so forfeited shall become property of the Liquidating Trust.

Holders of Equity Interests shall not be required to surrender such instruments or securities because they are not receiving a distribution under the Plan on account of such securities.

(c) *Fractional Shares*.

In the event the Sale Proceeds consist of common or preferred stock, no fractional shares, or Cash in lieu thereof, shall be distributed. For purposes of distribution, any fractional shares shall be rounded down to the next whole number or zero, as applicable. A detailed description of the Sale Proceeds to be distributed pursuant to the Plan will be filed as an exhibit to the Plan after the Purchaser Selection Hearing.

3. *Procedures for Treating Disputed Claims Under the Plan.*

(a) *Disputed Claims*.

A Disputed Claim ("Disputed Claim") is a Claim that has not been Allowed or disallowed pursuant to an agreement by the parties or an order of the Bankruptcy Court. In addition, all prepetition Litigation Claims not previously Allowed by the Bankruptcy Court are Disputed Claims. A Claim for which a proof of claim has been filed but that is listed on the Debtors' schedules of assets and liabilities as unliquidated, disputed or contingent, and which has not yet been resolved by the parties or by the Bankruptcy Court, is a Disputed Claim. If a holder of a Claim has filed a proof of claim that is inconsistent with the Claim as listed on the Debtors' schedules of assets and liabilities, such Claim is a Disputed Claim to the extent of the difference between the amount set forth in the proof of claim and the amount scheduled by the Debtors. Any Claim for which the Debtors, the Liquidating Trustee, or any party in interest have interposed (or will interpose) a timely objection is a Disputed Claim. All Litigation Claims are Disputed Claims.

Pursuant to the proposed Order (I) Approving the Form and Manner of Notice of the Disclosure Statement Hearing; (II) Approving the Disclosure Statement (III) Fixing of a Record Date; (IV) Approving the Notice and Objection Procedures in Respect of Confirmation of the Plan; (V) Approving Solicitation Packages and Procedures for Distribution Thereof; (VI) Approving the Forms of Ballot and Establishment of Procedures for Voting on the Plan; and (VII) Authorization to Utilize Bankruptcy Services LLC as Voting Agent, holders of Disputed Claims will not be entitled to vote on the Plan.

(b) *Objections to Claims*

The Debtors or, where applicable, the Liquidating Trustee, shall be entitled to object to all Disputed Claims or Claims not already Allowed, as well as to Non-Assumed Administrative Claims, Compensation and Reimbursement Claims, Priority Tax Claims, Priority Non-Tax Claims, General Unsecured Claims, Litigation Claims, and the PBGC Claims. Any objections to Claims shall be served and filed on or before one hundred and twenty (120) days after the Effective Date, or such later date as may be fixed by the Bankruptcy Court.

(c) *No Distributions Pending Allowance*.

If any portion of a Claim is a Disputed Claim, no payment or distribution shall be made on account of such Claim until such Disputed Claim becomes an Allowed Claim. Pending the allowance or disallowance of the Disputed Claims, the Debtors or the Liquidating Trustee, where applicable, shall withhold from the payments and distributions made pursuant to the Plan to the holders of Allowed Claims the payments and distributions allocable to the Disputed Claims as if the Disputed Claims had been Allowed Claims.

(d) *Distributions After Allowance*.

To the extent that a Disputed Claim becomes an Allowed Claim, the holder of such Allowed Claim shall receive a distribution in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent or the Liquidating Trustee, where applicable, shall provide to the holder of such Claim the distribution to which such holder is entitled under the Plan.

To the extent that all or a portion of a Disputed Claim is disallowed, the holder of such Claim shall not receive any distribution on account of the portion of such Claim that is disallowed and any property withheld pending the resolution of such Claim shall be reallocated pro rata to the holders of Allowed Claims in the same class.

B. Treatment of Executory Contracts and Unexpired Leases.

1. *Contracts and Leases Not Expressly Assumed are Rejected.*

As provided in the Plan, all executory contracts and unexpired leases to which any of the Debtors are parties shall be rejected effective on the Effective Date except for an executory contract that (i) has already been assumed or rejected pursuant to Final Order of the Bankruptcy Court, (ii) is specifically designated as an Assigned Contract or Lease, or (iii) is the subject of a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the Debtors prior to the Confirmation Date.

2. *Assigned Contracts and Leases.*

The filing of the Plan constitutes a motion by the Debtors, pursuant to section 365 and 1123 of the Bankruptcy Code, to assume and assign to the Purchaser the Assigned Contracts and Leases.

The assumption by the Debtors and assignment to the Purchaser of each of the Assigned Contracts and Leases shall be effective as of the Closing on the terms and conditions set forth in the APA and the Sale Order. The Debtors will have up to eleven (11) days prior to the Confirmation Hearing to amend the schedules to the APA by adding any executory contract or unexpired lease thereto, deleting any Assigned Contract or Lease therefrom, or amending any cure amount set forth thereon. The Debtors will provide notice of any amendments to the APA to all parties who are affected by such an amendment at least ten (10) days prior to the Confirmation Hearing. The listing of a document on a schedule to the APA shall not constitute an admission by the Debtors that such document is an executory contract or unexpired lease or that the Debtors have any liability thereunder.

3. *Cure of Defaults.*

Section 365(b) of the Bankruptcy Code provides that any executory contract to be assumed or assigned must be cured of any defaults relating thereto. Except as otherwise may be agreed to by the parties, at the Closing, or as promptly thereafter as practicable, the Purchaser shall cure those defaults under the Assigned Contracts or Leases under the APA on the terms and subject to the conditions set forth in the APA and the Sale Order by (a) payment of the undisputed cure amounts or (b) reserving amounts with respect to the disputed cure amounts.

4. *Rejection Claims*.

Any person or entity asserting a Claim for damages arising out of the rejection of a contract or lease must do so within thirty (30) days of the Confirmation Hearing or as otherwise provided in the Plan. Failure to so timely file a proof of claim for rejection damages will result in that holder's Claim being barred and deemed unenforceable against the Debtors, the Debtors' respective properties or interests in property as agents, successors, or assigns, or the Liquidating Trust.

C. Corporate Action

Upon the Effective Date, the Debtors shall perform each of the actions and effect each of the transfers required by the terms of the Plan and the APA, in the time period allocated therefor, and all matters provided for under the Plan and the APA, that would otherwise require approval of the stockholders, partners, members, directors, or comparable governing bodies of the Debtors shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to the applicable general corporation law (or other applicable law) of the states in which the Debtors are incorporated or organized, without any requirement of further action by the stockholders, members, or directors (or other governing body) of the Debtors. Each of the Debtors shall be authorized and directed, following the completion of all disbursements, other transfers, and other actions required of the Debtors by the Plan, to file its certificate of cancellation, dissolution, or merger as contemplated by section 5.11 of the Plan. The filing of such certificates of cancellation, dissolution, or merger shall be authorized and approved in all respects without further action under applicable law, regulation, order, or rule, including, without express or implied limitation, any action by the stockholders, members, or directors (or other governing body) of the Debtors.

D. Claims Administration, Prosecution, and Plan Distributions

The Debtors and, as provided in section 9 of the Plan, the Liquidating Trustee, shall have the power and authority to prosecute and resolve objections to Disputed Non-Assumed Administrative Expense Claims, Disputed Priority Tax Claims, Disputed Priority Non-Tax Claims, Disputed Other Secured Claims, Disputed Compensation and Reimbursement Claims and Litigation Claims. The Debtors shall also continue to have the power and authority to hold, manage and distribute Plan distributions to the holders of Allowed Non-Assumed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, Allowed Other Secured Claims and Allowed Compensation and Reimbursement Claims.

E. Dissolution

Within thirty (30) days of the completion of all acts required to be performed by the Debtors under the Plan, or as soon thereafter as is practicable, each Debtor shall be deemed dissolved for all purposes without the necessity of any other or further actions to be taken by or on behalf of each Debtor. Each Debtor will, however, be required to file with the office of the Secretary of State or other appropriate office for the state of its organization a certificate of cancellation or dissolution, or alternatively, it may be merged with and into another Debtor and file an appropriate certificate of merger.

F. Governance of NewCo

1. *Board of Directors*

The initial Board of Directors of NewCo and the Purchaser will be disclosed at or prior to the Confirmation Hearing.

2. *Senior Management*

The officers of the Debtors immediately prior to the Effective Date shall serve as the initial officers of NewCo and Purchaser. After the Effective Date, the officers of NewCo and Purchaser will be determined by their respective Boards of Directors.

G. Conditions Precedent to Confirmation and the Effective Date

1. *Conditions Precedent to Confirmation.*

Entry of the Confirmation Order in a form and substance reasonably satisfactory to the Debtors and the approval of the Purchaser at the Purchaser Selection Hearing are conditions precedent to confirmation of the Plan.

2. *Conditions Precedent to the Effective Date.*

The Plan shall not become effective unless and until the following conditions have been satisfied in full or waived:

- The Confirmation Order and the Sale Order, in forms reasonably acceptable to the Debtors and Purchaser, are entered by the Bankruptcy Court;
- No stay or injunction is in effect at the time the other conditions set forth in the Plan are satisfied or waived;
- The Liquidating Trust Agreement has been executed;
- The Closing has occurred;
- The Debtors have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents that are required to implement the Plan and the APA; and
- All actions, documents, and agreements required to implement the Plan have been effected or executed.

3. *Failure of Conditions.*

In the event that one or more of the conditions specified in section 10.1 or 10.2 of the Plan have not occurred or have not been waived in accordance with section 10.4 of the Plan, on or before one hundred and twenty (120) days after the Confirmation Date, (i) the Confirmation Order shall be vacated, (ii) no distributions under the Plan shall be made (and the distributions that have been made shall be unwound), (iii) the Debtors and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred, and (iv) the Debtors obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained in the Plan shall constitute or be deemed a waiver or release of any Claim or Equity Interest by or against the Debtors or any other entity or to prejudice in any manner the rights of the Debtors or any entity in any further proceedings involving the Debtors.

4. *Satisfaction of Conditions.*

If the Debtors decide, after consultation with the Purchaser, that one of the conditions precedent set forth in sections 10.1 and 10.2 of the Plan cannot be satisfied and the occurrence of such condition is not waived or cannot be waived, then the Debtors shall file a notice of the failure of the Effective Date with the Bankruptcy Court**.**

H. Effect of Confirmation

1. *Vesting of Assets*.

Upon the Effective Date, all property of the Debtors' estates which has not been sold and transferred to Purchaser under the APA shall vest in the Debtors free and clear of all liens, Claims, encumbrances, charges, and other interests. The Liquidating Trust Assets shall be transferred to the Liquidating Trust free and clear of all liens, Claims, encumbrances, and other interests.

2. *Discharge of Claims and Termination of Equity Interests.*

Confirmation of the Plan will discharge all existing debts and Claims, and terminate all Equity Interests, of any kind, nature or description whatsoever against or in the Debtors. All holders of existing Claims against and Equity Interests in the Debtors will be enjoined from asserting against the Debtors, or any of their assets or properties, any other or further Claim or Equity Interest based upon any act or omission, transaction, or other activity that occurred prior to the Effective Date, whether or not such holder has filed a proof of claim or proof of Equity Interest. In addition, upon the Effective Date, each holder of a Claim against or Equity Interest in the Debtors shall be forever precluded and enjoined from prosecuting or asserting any discharged Claim against or terminated Equity Interests in the Debtors.

3. *Discharge of Debtors.*

Upon the Effective Date, and in consideration of the distributions to be made under the Plan, except as otherwise expressly provided therein, each holder (as well as any trustees and agents on behalf of each holder) of a Claim or Equity Interest and any affiliate of such holder shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Equity Interests, rights, and liabilities that arose prior to the Effective Date. Upon the Effective Date, all such persons shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim against or terminated Equity Interest in the Debtors. Notwithstanding any provision of the Plan to the contrary, any valid setoff or recoupment rights held against any of the Debtors shall not be affected by the Plan and shall be expressly preserved in the Confirmation Order.

4. *Terms of Injunctions or Stays.*

Unless otherwise provided, all injunctions or stays arising under or entered during the chapter 11 cases under section 105 or 362 of the Bankruptcy Code or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in such order.

5. *Exculpation*.

The Plan provides that neither the Debtors, the Purchaser, the Liquidating Trustee, the Disbursing Agent, the Creditors Committee appointed pursuant to section 1102 of the Bankruptcy Code in the chapter 11 cases, the First Lien Lender Administrative Agent, the Second Lien Lender Administrative Agent, the Indenture Trustees, nor any of their respective members, officers, directors, employees, agents, financial advisors, investment bankers, or professionals shall have or incur any liability to any holder of any Claim or Equity Interest for any act or omission in connection with, or arising out of, the Reorganization Cases, the confirmation of the Plan, the consummation of the Plan and APA, or the administration of the Plan or property to be distributed under the Plan, except for willful misconduct or gross negligence.

6. *Retention of Causes of Action/ Reservation of Rights.*

Except as provided in the APA, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or causes of action that the Debtors may have or which the Debtors or Liquidating Trustee, in accordance with section 9 of the Plan, may choose to assert on behalf of the Debtors' respective estates under any provision of the Bankruptcy Code or any applicable nonbankruptcy law. On and after the Effective Date, the Debtors will have the right to enforce any and all causes of action against any person other than Avoidance Actions. The Debtors may pursue, abandon, settle, or release any or all causes of action, other than Avoidance Actions, as they deem appropriate, without the need to obtain approval or any other or further relief from the Bankruptcy Court. The Debtors may, in their discretion, offset any claim held against a person, other than Avoidance Actions, against any payment due such person under the Plan, provided, however, that any claims of the Debtors arising before the Commencement Date shall first be offset against Claims against the Debtors arising before the Commencement Date.

Nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any claim, cause of action, right of setoff, or other legal or equitable defense which the Debtors had immediately prior to the Commencement Date, against or with respect to any Claim left unimpaired by the Plan. The Debtors and the Liquidating Trustee shall have, retain, reserve, and be entitled to assert all such claims, causes of action, rights of setoff, and other legal or equitable defenses which they had immediately prior to the Commencement Date fully as if the Reorganization Cases had not been commenced, and all of the Debtors' legal and equitable rights respecting any Claim left unimpaired by the Plan may be asserted by the Debtors or the Liquidating Trustee after the Confirmation Date to the same extent as if the Reorganization Cases had not been commenced.

I. Retention of Jurisdiction

On and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising in, arising under, and related to the Reorganization Cases for, among other things, the following purposes:

(a) To hear and determine applications for the assumption or rejection of executory contracts or unexpired leases and the allowance of Claims resulting therefrom.

(b) To determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced after the Confirmation Date.

(c) To ensure that distributions to holders of Allowed Claims are accomplished as provided in the Plan.

(d) To consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim, Administrative Expense Claim, or Equity Interest.

(e) To enter, implement, or enforce such orders as may be appropriate in the event the Confirmation Order, the Purchaser Selection Order, or the Sale Order is for any reason stayed, reversed, revoked, modified, or vacated.

(f) To issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, the Purchaser Selection Order, the Sale Order, or any other order of the Bankruptcy Court.

(g) To hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistency in the Plan, the Disclosure Statement, or any order of the Bankruptcy Court, including the Confirmation Order, Purchaser Selection Order, and Sale Order, in such a manner as may be necessary to carry out the purposes and effects thereof.

(h) To hear and determine all applications under sections 330, 331, and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Confirmation Date.

(i) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the APA, the Plan, the Confirmation Order, the Sale Order, any transactions or payments contemplated by the Plan, or any agreement, instrument, or other document governing or relating to any of the foregoing.

(j) To take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan or the APA, or to maintain the integrity of the Plan or the APA following consummation.

(k) To resolve personal injury, employment litigation, and similar Claims pursuant to section 105(a) of the Bankruptcy Code.

(l) To determine such other matters and for such other purposes as may be provided in the Purchase Selection Order, the Sale Order, or the Confirmation Order.

(m) To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code).

(n) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code.

(o) To enter a final decree closing the Reorganization Cases.

(p) To recover all assets of the Debtors and property of the Debtors' estates, wherever located.

J. Releases

The Plan provides for a release, as of the Effective Date, of the respective officers, directors, employees, financial advisors, professionals, accountants, and attorneys of the Debtors, the Creditors Committee appointed pursuant to section 1102 of the Bankruptcy Code, Beal Bank, as Administrative Agent under the First Lien Lender Agreement or any successor agent thereto, Wilmington Trust Company, as Administrative Agent under the Second Lien Lender Agreement or any successor agent thereto, and the Indenture Trustees from all claims against them by the Debtors in their capacity as representatives of the Debtors, the Creditors Committees, the First Lien Lenders, the Second Lien Lenders, and the Noteholders, as applicable, except as otherwise expressly provided in the Plan and the Confirmation Order.

The purpose of the release of the representatives of the other major constituencies in these cases, such as the Creditors Committee and the administrative agents and advisors for the First Lien Lenders and Second Lien Lenders, is to protect the chapter 11 process for individuals who have contributed to the restructuring process.

K. Miscellaneous Provisions

The Plan contains provisions relating to the cancellation of existing securities, corporate actions, the Disbursing Agent, delivery of distributions, manner of payment, vesting of assets, binding effect, terms of injunctions or stays, injunction against interference with the Plan, payment of statutory fees, dissolution of the Creditors Committee, substantial consummation, compliance with tax requirements, severability, revocation and amendment of the Plan, governing law, and timing. For more information regarding these items, see the Plan attached hereto as Exhibit "A".

X.

Certain Factors to Be Considered

A. Certain Bankruptcy Considerations

There are certain risks associated with confirmation of the Plan, and the Debtors can provide no assurance that the Bankruptcy Court will approve confirmation of the Plan. The outcome of the Confirmation Hearing may depend on the following: (i) whether the First and Second Lien Lenders vote in favor of the Plan; (ii) whether the Bankruptcy Court will approve cramdown of the Plan on the First Lien Lenders and Second Lien Lenders in the event they do not vote in favor of the Plan; and (iii) whether all Administrative Expense Claims are required to be paid in full in Cash in order to confirm the Plan.

As described in section II.C.2. above, depending on the amount of consideration received by the Debtors in connection with the sale of all or substantially all of their assets and the size of the superpriority Administrative Expense Claim (if any) awarded by the Bankruptcy Court to the Second Lien Lenders, there may not exist sufficient funds to pay all Non-Assumed Administrative Expense Claims in full in Cash, as required under the Bankruptcy Code. Holders of Administrative Expense Claims (which include Priority Tax Claims, Compensation and Reimbursement Claims, and Priority Non-Tax Claims) therefore may receive no distribution under the Plan. Similarly, holders of General Unsecured Claims, Noteholder Claims, and PBGC Claims may also receive no distribution on account of their Claims under the Plan.

The Plan provides for no distribution to Classes H, J, and K. The Bankruptcy Code conclusively deems these classes to have rejected the Plan. Notwithstanding the fact that these classes are deemed to have rejected the Plan, the Bankruptcy Court may confirm the Plan if at least one impaired class votes to accept the Plan (with such acceptance being determined without including the vote of any

"insider" in such class). Thus, for the Plan to be confirmed with respect to each Debtor, one impaired class, among Classes A, B, C, D, E, F, and G must vote to accept the Plan. As to each impaired class that has not accepted the Plan, the Plan may be confirmed if the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to these classes. The Debtors believe that the Plan satisfies these requirements. For more information, see section XI below.

B. Securities Law Matters

Holders of Allowed Non-Assumed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Non-Tax Claims, First Lien Lender Claims, Second Lien Lender Claims, Noteholder Claims, General Unsecured Claims, and PBGC Claims may receive securities in connection with the sale of the Debtors' assets to the Purchaser and the Plan. The Debtors and/or NewCo, as a plan sponsor, may seek authority to issue those securities in connection with the protections provided by section 1145 of the Bankruptcy Code. Section 1145 provides certain exemptions from the securities registration requirements of federal and state securities laws with respect to the distribution of securities under a plan.

1. *Issuance and Resale of New Securities.*

Section 1145(a) of the Bankruptcy Code generally exempts from registration under the Securities Act of 1933 (the "Securities Act") the offer or sale of securities of a debtor or a successor to a debtor under a chapter 11 plan if such securities are offered or sold in exchange for a claim against, or an equity interest in, such debtor, or principally in such exchange and partly for Cash. The Debtors and/or NewCo, as a plan sponsor, may attempt to rely on this exemption and seek to have common stock and any rights issued on the Effective Date exempted from the registration requirements of the Securities Act. If so authorized, such securities may be resold without registration under the Securities Act or other federal securities laws pursuant to an exemption provided by section 4(1) of the Securities Act, unless the holder is an "underwriter" with respect to such securities, as that term is defined in the Bankruptcy Code. In addition, such securities generally may be resold without registration under state securities laws pursuant to various exemptions provided by the respective laws of the several states. The issuance of the Beneficial Interests in the Liquidating Trust will also be exempt pursuant to section 1145(a). Recipients of securities issued under the Plan are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state law in any given instance and as to any applicable requirements or conditions to such availability.

Any subscription rights or new stock to be issued upon exercise thereof generally will also be so exempt pursuant to section 1145(a) if the value of the Claims held by the holders of the class receiving such rights exceeds the amount of Cash payable upon exercise of the rights. If the value of the Claim is less than the exercise price, section 1145(a) would not apply, in which case the rights will be issued only to those holders of the applicable class of Claims who are "accredited investors" as defined in Regulation D under the Securities Act. Any subscription rights or new stock issued upon exercise thereof would be issued without registration under the Securities Act pursuant to the exemption therefrom contained in section 4(2) of the Securities Act relating to issuances which do not constitute a public offering and Regulation D thereunder. Alternatively, NewCo could register the rights and the new stock issuable upon exercise thereof pursuant to the Securities Act.

In the event new stock is issued in connection with a rights offering in accordance with Regulation D, it will not be deemed to be issued in a public offering. Accordingly, such shares of new stock would be "restricted securities" and may only be resold by any holder thereof pursuant to an effective registration statement under section 5 of the Securities Act or an exemption therefrom, which may include Rule 144 ("Rule 144") promulgated under the Securities Act.

Rule 144 is a non-exclusive safe harbor that provides a basis for sellers to claim a trading exemption under section 4(a) of the Securities Act. Rule 144 will permit the resale of securities received

pursuant to a rights offering subject to applicable holding period requirements, volume limitations, notice and manner of sale requirements, availability of current information about the issuer and certain other conditions. Generally, Rule 144 provides that if such conditions are met, specified persons who resell "restricted securities" or who resell securities that are not restricted but who are "affiliates" of the issuer of the securities sought to be resold, will not be deemed to be "underwriters" as defined in section 2(11) of the Securities Act. Additionally, under Rule 144(k), a person who is not deemed to have been an affiliate of the issuer at any time during the three months preceding a sale, and who has beneficially owned the securities proposed to be sold for at least two years, is entitled to sell such securities without having to comply with the manner of sale, public information, volume limitation or notice filing provisions of Rule 144. In the event that securities may be resold in accordance with Rule 144, such securities generally may be resold by the recipients thereof without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the several states. However, recipients of securities issued pursuant to a rights offering are advised to consult with their own counsel as to the availability of any such exemption from registration under state securities laws in any given instance and as to any applicable requirements or conditions to the availability thereof.

Section 1145(b) of the Bankruptcy Code defines "underwriter" for purposes of the Securities Act as one who (a) purchases a claim with a view to distribution of any security to be received in exchange for the claim other than in ordinary trading transactions, or (b) offers to sell securities issued under a plan for the holders of such securities, or (c) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution of such securities, or (d) is a control person of the issuer of the securities or other issuer of the securities within the meaning of section 2(11) of the Securities Act. The legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns at least ten percent (10%) of the voting securities of the issuer may be presumed to be a "control person."

Notwithstanding the foregoing, statutory underwriters may be able to sell their securities pursuant to the resale limitations of Rule 144 promulgated under the Securities Act. Rule 144 would, in effect, permit the resale of securities received by statutory underwriters pursuant to a chapter 11 plan, subject to applicable volume limitations, notice and manner of sale requirements, and certain other conditions. Parties who believe they may be statutory underwriters as defined in section 1145 of the Bankruptcy Code are advised to consult with their own legal advisors as to the availability of the exemption provided by Rule 144.

Whether any particular person would be deemed to be an "underwriter" with respect to any security issued under or in connection with the sale and confirmation of the Plan would depend upon the facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any particular person receiving distributions in connection with the sale and confirmation of the Plan would be an "underwriter" with respect to any security issued in connection with the sale and confirmation of the Plan.

In view of the complex, subjective nature of the question of whether a particular person may be an underwriter or an affiliate of NewCo or the Purchaser, the Debtors make no representations concerning the right of any person to trade in any new stock that may be distributed in connection with the sale and confirmation of the Plan. Accordingly, in the event securities are issued in connection with the sale and confirmation of the Plan, the Debtors recommend that potential recipients of such securities consult their own counsel concerning whether they may freely trade such securities.

2. *Listing of New Common Stock*.

On the Effective Date, any shares of new stock issued pursuant to the APA or the Plan will not be listed on a national securities exchange or Nasdaq Stock Market, and neither the Purchaser nor NewCo will be a reporting company under the Securities Exchange Act of 1934. Accordingly, no

assurance can be given that a holder of such new stock will be able to sell such securities in the future or as to the price at which any sale may occur.

3. *Registration Rights.*

In connection with the sale of the Debtors' assets and confirmation of the Plan, NewCo or the Purchaser may require the execution of a registration rights agreement between NewCo or the Purchaser and any holder of new stock that would qualify as an "underwriter" as defined in section 1145(b) of the Bankruptcy Code, such as a holder of 10% or more of such securities, and holders of new common stock received upon exercise of any rights issued pursuant to Regulation D. The reason for such an agreement is that statutory "underwriters" and such holders will not be able to take advantage of the exemption from registration provided in section 1145 that is available to other holders. If a rights offering is required in connection with the sale and confirmation of the Plan, a copy of the registration rights agreement will be set forth in the Plan Supplement.

4. *Legends.*

If stock or rights are issued in connection with the sale and confirmation of the Plan, then certificates evidencing shares of new common stock received by holders of at least 10% of the outstanding new common stock and received by holders of new stock upon exercise of rights issued pursuant to Regulation D will bear a legend substantially in the form below:

> THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND MAY NOT BE SOLD, OFFERED FOR SALE OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.

C. Risks Relating to the Securities Issued in Connection with the Sale

1. *Variances from Projections.*

The projections included in section IV.C herein are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, with respect to WestPoint's business, financial condition and results of operations. Statements that use the terms "believe," "anticipate," "expect," "plan," "intend," "estimate," "project" and similar expressions in the affirmative and the negative are intended to identify forward-looking statements. These statements reflect WestPoint's current views with respect to future events and are based on current assumptions, expectations, estimates and projections about WestPoint's business and the markets in which it operates and are subject to risks and uncertainties. Actual events (including WestPoint's results) could differ materially from those anticipated in these forward-looking statements as a result of various factors which include, but are not limited to, the following: uncertainties exist related to WestPoint's having filed a chapter 11 petition and the reorganization proceedings resulting therefrom; product margins may vary from those projected; raw material prices may vary from those assumed; additional reserves may be required for bad debts, returns, allowances, governmental compliance costs, or litigation; there may be changes in the performance of financial markets or fluctuations in foreign currency exchange rates; unanticipated natural disasters could have a material impact upon results of operations; there may be changes in the general economic conditions which affect customer payment practices or consumer spending; competition for retail and wholesale customers, pricing and transportation of products may vary from time to time due to seasonal variations or otherwise; customer preferences for our products can be

affected by competition, or general market demand for domestic or imported goods or the quantity, quality, price or delivery time of such goods; there could be an unanticipated loss of a material customer or a material license; there may be changes in governmental standards for WestPoint's products that materially affect the cost of production or availability of raw materials; the availability and price of raw materials could be affected by weather, disease, energy costs or other factors. In addition, consideration should be given to any other risks and uncertainties discussed herein and in documents filed by WestPoint with the Securities and Exchange Commission. Except as required by applicable law, WestPoint assumes no obligation to update or revise publicly any forward-looking statements, whether as the result of new information, future events or otherwise.

2. *Significant Holders.*

Under the Plan, certain holders of Allowed Claims may receive distributions of shares in NewCo representing in excess of five percent of the outstanding shares of the common stock. If holders of a significant number of shares of NewCo were to act as a group, such holders may be in a position to control the outcome of actions requiring shareholder approval, including the election of directors.

Further, the possibility that one or more of the holders of a number of shares of the NewCo may determine to sell all or a large portion of their shares in a short period of time may adversely affect the market price of the stock of the NewCo.

3. *Lack of Trading Market.*

Any stock issued in connection with the sale and confirmation of the Plan may not be listed on any exchange. There can be no assurance that an active trading market for such stock will develop. Accordingly, no assurance can be given that a holder of the stock will be able to sell such securities in the future or as to the price at which any such sale may occur. If such markets were to exist, such securities could trade at prices higher or lower than the value ascribed to such securities herein depending upon many factors, including the prevailing interest rates, markets for similar securities, general economic and industry conditions, and the performance of, and investor expectations for, NewCo.

D. Risks Associated with the Business

Additional discussion of risks related to WestPoint's business are set forth in greater detail in WestPoint's Form 10-K for the fiscal year ended December 31, 2003, filed with the Securities and Exchange Commission on March 15, 2004, and the 2004 Annual Review, a copy of which is annexed hereto as Exhibit "B".

XI.

Confirmation of the Plan

A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a Plan. The Confirmation Hearing is scheduled for 10:00 a.m. Eastern Time, on August 12, 2005, before the Honorable Robert D. Drain, United States Bankruptcy Judge, in Room 610 of the United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a Plan. Any objection to confirmation of the Plan must be in writing, must conform to

the Federal Rules of Bankruptcy Procedure, must set forth the name of the objector, the nature and amount of Claims or interests held or asserted by the objector against the particular Debtor or Debtors, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, with a copy to chambers, together with proof of service thereof, and served upon and received no later than 4:00 p.m. Eastern Time on July 30, 2005 by (i) WestPoint Stevens Inc., 507 West Tenth Street, West Point, Georgia 31833 (Attn: M. Clayton Humphries, Jr., Esq., Vice President & General Counsel); (ii) the attorneys for the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Michael F. Walsh, Esq. and John J. Rapisardi, Esq.); (iii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st floor, New York, New York 10004 (Attn: Brian Masumoto, Esq.); (iv) the attorneys for the Debtors' postpetition lenders, Parker, Hudson, Rainer & Dobbs LLP, 1500 Marquis Two Tower, 285 Peachtree Center Avenue, Atlanta, Georgia 30303 (Attn: C. Edward Dobbs, Esq.); (v) the attorneys for the First Lien Lender Administrative Agent, Jenkens & Gilchrist, A Professional Corporation, 1445 Ross Avenue, Suite 3200, Dallas, Texas 75202-2799 (Attn: Gregory G. Hesse, Esq.); (vi) the attorneys for the Steering Committee of First Lien Lenders, Hennigan, Bennett & Dorman, LLP, 601 S. Figueroa Street, Suite 3300, Los Angeles, CA 90017 (Attn. Bruce Bennett, Esq.); (vii) the attorneys for the Debtors' prepetition second lien lenders, Kramer Levin Naftalis & Frankel, LLP, 919 Third Avenue, New York, New York 10022 (Attn: Thomas M. Mayer, Esq.); (viii) the attorneys for Icahn Associates, Sonnenschein Nath & Rosenthal LLP, 1221 Avenue of the Americas, New York, New York 10020 (Attn: Peter Wolfson, Esq.); and (ix) the attorneys for the statutory committee of creditors, Stroock and Stroock and Lavan LLP, 180 Maiden Lane, New York, New York 10038 (Attn: Lawrence M. Handelsman, Esq. and Michael J. Sage, Esq.).

Objections to confirmation of the Plan are governed by Rule 9014 of the Federal Rules of Bankruptcy Procedure.

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

B. General Requirements of Section 1129

At the Confirmation Hearing, the Bankruptcy Court will determine whether the following confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied.

1. The Plan complies with the applicable provisions of the Bankruptcy Code.

2. The Debtors have complied with the applicable provisions of the Bankruptcy Code.

3. The Plan has been proposed in good faith and not by any means proscribed by law.

4. Any payment made or promised by the Debtors or by a person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the chapter 11 cases, or in connection with the Plan and incident to the chapter 11 cases, has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

5. The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer or voting trustee of NewCo.

6. With respect to each class of Claims or Equity Interests, each holder of an impaired Claim or impaired Equity Interest either has accepted the Plan or will receive or retain under the Plan on account of such holder's Claim or Equity Interest, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or

retain if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. See discussion of "Best Interests Test" below.

7. Except to the extent the Plan meets the requirements of section 1129(b) of the Bankruptcy Code (discussed below), each class of Claims or Equity Interests has either accepted the Plan or is not impaired under the Plan. Classes H, J, K and L are deemed to have rejected the Plan and thus the Plan can be confirmed only if the requirements of section 1129(b) of the Bankruptcy Code are met.

8. Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim or, as described herein, has not objected to the non-payment in full of such Claim, the Plan provides that Allowed undisputed Administrative Expense Claims and Allowed Priority Non-Tax Claims will be paid in full on the Effective Date and that Allowed Priority Tax Claims will receive on account of such Claims deferred Cash payments, over a period not exceeding six (6) years after the date of assessment of such Claims, of a value, as of the Effective Date, equal to the Allowed amount of such Claims.

9. At least one class of impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in such class.

10. Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. See discussion of "Feasibility" below.

C. Best Interests Tests

As described above, the Bankruptcy Code requires that each holder of an impaired Claim or Equity Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The first step in determining whether this test has been satisfied is to determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The gross amount of Cash that would be available for satisfaction of Claims and Equity Interests would be the sum of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtors, augmented by any unencumbered Cash held by the Debtors at the time of the commencement of the liquidation case.

The next step is to reduce that gross amount by the costs and expenses of the liquidation itself and by such additional administrative and priority Claims that might result from the termination of the Debtors' business and the use of chapter 7 for the purposes of liquidation. Any remaining net Cash would be allocated to creditors and stockholders in strict priority in accordance with section 726 of the Bankruptcy Code. Finally, the present value of such allocations (taking into account the time necessary to accomplish the liquidation) are compared to the value of the property that is proposed to be distributed under the Plan on the Effective Date.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. Other liquidation costs include the expenses incurred during the chapter 11 cases Allowed in the chapter 7 case, such as compensation for attorneys, financial advisors, appraisers, accountants and other professionals for the Debtors and the Creditors Committee, and costs and expenses of members of the Creditors Committee, as well as other compensation Claims. In addition, Claims

would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of the chapter 11 cases.

The foregoing types of Claims, costs, expenses, fees, and such other Claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-chapter 11 priority and unsecured Claims. The Debtors believe that in a chapter 7 liquidation, no prepetition Claims or Equity Interests would receive any distribution of property.

The Debtors' liquidation analysis is an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation of the Debtors. The analysis is based on a number of significant assumptions which are described below. The liquidation analysis does not purport to be a valuation of the Debtors' assets and is not necessarily indicative of the values that may be realized in an actual liquidation.

D. Liquidation Analysis

As noted above, the Debtors believe that under the Plan all holders of impaired Claims (including Non-Assumed Administrative Expense Claims) and Equity Interests will receive property with a value not less than the value such holder would receive in a liquidation of the Debtors under chapter 7 of the Bankruptcy Code. The Debtors' belief is based primarily on (i) consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to holders of impaired Claims and Equity Interests, including (a) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a chapter 7 trustee and professional advisors to the trustee, (b) the erosion in value of assets in a chapter 7 case in the context of the rapid liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail, (c) the adverse effects on the Debtors' businesses as a result of the likely departure of key employees and the probable loss of customers, (d) the substantial increases in Claims, such as estimated contingent Claims, which would be satisfied on a priority basis or on parity with the holders of impaired Claims and Equity Interests of the chapter 11 cases, (e) the reduction of value associated with a chapter 7 trustee's operation of the Debtors' businesses, and (f) the substantial delay in distributions to the holders of impaired Claims and Equity Interests that would likely ensue in a chapter 7 liquidation and (ii) the liquidation analysis prepared by the Debtors will be filed with the Court prior to the Disclosure Statement Hearing (the "Liquidation Analysis").

The Debtors believe that any liquidation analysis is speculative, as such an analysis necessarily is premised on assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which would be beyond the control of the Debtors. Thus, there can be no assurance as to values that would actually be realized in a chapter 7 liquidation, nor can there be any assurance that a Bankruptcy Court would accept the Debtors' conclusions or concur with such assumptions in making its determinations under section 1129(a)(7) of the Bankruptcy Code.

For example, the Liquidation Analysis necessarily contains an estimate of the amount of Claims which will ultimately become Allowed Claims. This estimate is based solely upon the Debtors' review of its books and records and the Debtors' estimates as to additional Claims that may be filed in the chapter 11 cases or that would arise in the event of a conversion of the case from chapter 11 to chapter 7. No order or finding has been entered by the Bankruptcy Court or any other court estimating or otherwise fixing the amount of Claims at the projected-amounts of Allowed Claims set forth in the Liquidation Analysis. In preparing the Liquidation Analysis, the Debtors have projected an amount of Allowed Claims that is at the lower end of a range of reasonableness such that, for purposes of the Liquidation Analysis, the largest possible liquidation dividend to holders of Allowed Claims can be assessed. The estimate of the amount of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including any determination of the value of any distribution to be made on account of Allowed Claims under the Plan.

To the extent that confirmation of the Plan requires the establishment of amounts for the chapter 7 liquidation value of the Debtors, funds available to pay Claims, and the reorganization value of the Debtors, the Bankruptcy Court will determine those amounts at the Confirmation Hearing. Accordingly, the annexed Liquidation Analysis is provided solely to disclose to holders the effects of a hypothetical chapter 7 liquidation of the Debtors, subject to the assumptions set forth therein.

E. Feasibility

The Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. Since the Plan provides for the liquidation of the Debtors, the Bankruptcy Court will find that the Plan is feasible if it determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and otherwise have sufficient funds to meet its post Confirmation Date obligations to pay for the costs of administering and fully consummating the Plan and closing the chapter 11 cases. The Debtors believe that the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

F. Section 1129(b)

The Bankruptcy Court may confirm a plan over the rejection or deemed rejection of the plan by a class of claims or equity interests if the plan "does not discriminate unfairly" and is "fair and equitable" with respect to such class.

1. *No Unfair Discrimination.*

This test applies to classes of Claims or Equity Interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair."

2. *Fair and Equitable Test.*

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of Claims receive more than 100% of the Allowed amount of the Claims in such class. As to the dissenting class, the test sets different standards, depending on the type of Claims or interests in such class:

- S*ecured Creditors*. Each holder of an impaired secured Claim either (i) retains its liens on the property, to the extent of the Allowed amount of its secured Claim and receives deferred Cash payments having a value, as of the effective date, of at least the Allowed amount of such Claim, or (ii) has the right to credit bid the amount of its Claim if its property is sold and retains its liens on the proceeds of the sale (or if sold, on the proceeds thereof) or (iii) receives the "indubitable equivalent" of its Allowed secured Claim.

- U*nsecured Creditors*. Either (i) each holder of an 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 interests that are junior to the Claims of the dissenting class will not receive any property under the plan.

- E*quity Interests.* Either (i) each Equity Interest holder will receive or retain under the plan property of a value equal to the greater of (a) the fixed liquidation preference or redemption price, if any, of such stock and (b) the value of the stock, or (ii) the holders of interests that are junior to the Equity Interests of the dissenting class will not receive or retain any property under the Plan.

The Debtors believe the Plan will satisfy the "fair and equitable" requirement notwithstanding that Classes H, J, K, and L are deemed to reject the Plan because no class that is junior to such classes will receive or retain any property on account of the Claims or Equity Interests in such class.

Because several classes of Claims are not being paid in full, the existing Equity Interests in the Debtors are being extinguished.

XII.

Alternatives to Confirmation and Consummation of this Plan

A. Liquidation Under Chapter 7

If no chapter 11 plan can be confirmed, the chapter 11 cases may be converted to cases under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effect that a chapter 7 liquidation would have on the recoveries of holders of Claims is set forth in section XI.D of this Disclosure Statement. The Debtors believe that liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan because (a) the likelihood that other assets of the Debtors would have to be sold or otherwise disposed of in a less orderly fashion, (b) additional administrative expenses attendant to the appointment of a trustee and the trustee's employment of attorneys and other professionals, (c) additional expenses and Claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations. In a chapter 7 liquidation, the Debtors believe that there would be no distribution to holders of Administrative Claims or to holders of Class E, F, G, H, I, J, K and L Claims.

B. Alternative Plan

If the Plan is not confirmed, the Debtors may seek to sell their assets pursuant to section 363 of the Bankruptcy Code. Alternatively, the Debtors, or any other party in interest (if the Debtors' exclusive period in which to file a Plan has expired) could attempt to formulate a different Plan. Such a plan might involve either a reorganization and continuation of the Debtors' business or an orderly liquidation of the Debtors' assets under chapter 11. However, since substantially all of the Debtors' assets are being sold pursuant to the sale and the Plan provides for the distribution of the Sale Proceeds in accordance with the statutory priorities established by the Bankruptcy Code, the Debtors believe that any alternative chapter 11 plan will necessarily be substantially similar to the Plan. Any attempt to formulate an alternative chapter 11 plan would unnecessarily delay creditors' receipt of distributions yet to be made and, due to the incurrence of additional administrative expenses during such period of delay, may provide for smaller distributions to holders of Claims than are currently provided for in the Plan. Accordingly, the Debtors believe that the Plan will enable all parties in interest to realize the greatest possible recovery on their respective Claims with the least delay.

XIII.

Certain Federal Income Tax Consequences of the Plan

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtors and to certain holders of Allowed Claims. The following summary does not address the federal income tax consequences to holders of Claims or Equity Interests that are either unimpaired under the Plan or deemed to reject the Plan, holders of Priority Tax Claims or Other Secured Claims, and the PBGC.

The following summary is based on the Tax Code, Treasury regulations promulgated thereunder, judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "IRS"), all as in effect on the date hereof. These rules are subject to change, possibly on a retroactive basis, and any such change could significantly affect the U.S. federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this summary addresses neither state, local, or foreign income or other tax consequences of the Plan, nor the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, other financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, persons holding an equity interest as part of an integrated constructive sale or straddle, and investors in pass-through entities).

The following discussion generally assumes that the Plan will be treated as a plan of liquidation of the Debtors for federal income tax purposes, and that all distributions to holders of Claims will be taxed accordingly. A detailed description of the tax consequences regarding the Sale Proceeds to be received by holders of Claims will be filed prior to the Disclosure Statement Hearing.

Accordingly, the following summary of certain federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a holder of a Claim.

To ensure compliance with Internal Revenue Service Circular 230, holders of Claims and Equity Interests are hereby notified that: (a) any discussion of federal income tax issues contained or reflected in this Disclosure Statement is not intended or written to be used, and cannot be used, by any holder for the purpose of avoiding penalties that may be imposed on the holder under the Internal Revenue Code; (b) such discussion is written to support the promotion or marketing of the transactions or matters addressed herein; and (c) holders should seek advice based on their particular circumstances from an independent tax advisor.

A. Consequences to Debtors

For federal income tax purposes, the Debtors are members of an affiliated group of corporations of which WestPoint is the common parent (the "WestPoint Group"), and join in the filing of a consolidated federal income tax return. The WestPoint Group had, as of the taxable year ending on December 31, 2004, a consolidated net operating loss ("NOL") carryforward of approximately $454.9 million (a portion of which is subject to current limitations). See the Company's 2004 Financial Statements at Note 6 (Income Taxes) included in its 2004 Annual Review annexed hereto as Exhibit "B". The WestPoint Group has since incurred additional operating losses. In addition, it is anticipated that the Debtors will incur significant losses on the sale of substantially all of their assets pursuant to the Plan. The amount of the Debtors' losses and NOL carryforwards remains subject to adjustment by the IRS.

Upon the complete liquidation and dissolution of the Debtors pursuant to the Plan on or about the Effective Date, all of the Debtors' existing NOL carryforwards and other tax benefits will be eliminated.

B. Consequences to Holders of Certain Claims.

Pursuant to the Plan, holders of First Lien Lender Claims will receive their Ratable Proportion of the Sale Proceeds in satisfaction of their Claims. Thereafter, depending on relative priority, holders of Second Lien Lender Claims, Non-Assumed Administrative Expense Claims, Compensation

and Reimbursement Claims, Priority Non-Tax Claims, Priority Tax Claims, General Unsecured Claims, Noteholder Claims, and PBGC Claims may receive a portion of the Sale Proceeds remaining after satisfying the First Lien Lender Claims and/or possibly Beneficial Interests in the Liquidating Trust. In the event that the value of the assets to be transferred to the Liquidating Trust does not exceed the amount of the superpriority Administrative Expense Claim (if any) awarded to the Second Lien Lenders, such assets will be transferred directly to the Second Lien Lender Administrative Agent in satisfaction of Second Lien Lender Claims, and the Liquidating Trust will not be established.

1. *Gain or Loss.*

Holders of Allowed Priority Non-Tax Claims, First Lien Lender Claims, Second Lien Lender Claims, General Unsecured Claims and Noteholder Claims generally will recognize gain or loss in an amount equal to the difference between (i) the amount of cash and the fair market value of any property (including a holder's undivided interest, if any, in the assets transferred to the Liquidating Trust) received by the holder in satisfaction of its Claim (other than in respect of any Claim for accrued but unpaid interest) and (ii) the holder's adjusted tax basis in its Claim (other than any claim for accrued but unpaid interest). For a discussion of the tax consequences of any Claims for accrued but unpaid interest, see Section XIII.B.2., below.

As discussed below, the Liquidating Trust has been structured to qualify as a "grantor trust" for federal income tax purposes. Accordingly, pursuant to the Plan, each holder of an Allowed Claim that receives a beneficial interest in the Liquidating Trust generally will be treated for federal income tax purposes as directly receiving, and as a direct owner of, its allocable portion of the assets of the Liquidating Trust (absent a determination by the IRS to the contrary). See Section XIII.B.3, "Tax Treatment of Liquidating Trust and Holders of Beneficial Interest," below. Pursuant to the Plan, the Liquidating Trustee will, as soon as practicable after the Effective Date, make a good faith valuation of the Liquidating Trust Assets as of the Effective Date, and all parties (including the Debtors, the Liquidating Trustee and the holders of Beneficial Interests) must consistently use such valuation for all federal income tax purposes.

After the Effective Date, any amount a holder receives as a distribution from the Liquidating Trust in respect of its Beneficial Interests (other than possibly as a result of the subsequent disallowance of a disputed Second Lien Lender Claim, Non-Assumed Administrative Expense Claim, Compensation and Reimbursement Claim, Priority Tax Claim, Priority Non-Tax Claim, General Unsecured Claim, Noteholder Claim or PBGC Claim) should not be included, for federal income tax purposes, in the holder's amount realized in respect of its Allowed Claim but should be separately treated as a distribution received in respect of such holder's beneficial (ownership) interest in the Liquidating Trust.

Where gain or loss is recognized by a holder in respect of its Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount and whether and to what extent the holder had previously claimed a bad debt deduction.

In general, a holder's tax basis in any assets received (including the holder's undivided interest in the assets of the Liquidating Trust) will equal the fair market value of such assets, and the holding period for such assets generally will begin the day following the transfer of such assets to the Liquidating Trust or the Second Lien Lender Administrative Agent.

2. *Distributions in Discharge of Accrued but Unpaid Interest.*

In general, to the extent that any consideration received by a holder of an Allowed Claim (whether paid in cash property or Beneficial Interests) is received in satisfaction of accrued interest or

amortized original issue discount ("OID") during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed or amortized OID was previously included in its gross income and is not paid in full. However, the IRS has privately ruled that a holder of a security, in an otherwise tax-free exchange, could not claim a current deduction with respect to any unpaid OID. Accordingly, it is also unclear whether, by analogy, a holder of a claim would be required in the context of a taxable transaction to recognize a capital loss, rather than an ordinary loss, with respect to previously included OID that is not paid in full.

Pursuant to the Plan, all distributions in respect of Allowed Claims will be allocated first to the principal amount of such Claims, as determined for federal income tax purposes, and thereafter, to the portion of such Claim, if any, representing accrued but unpaid interest. However, there is no assurance that such allocation would be respected by the IRS for federal income tax purposes.

Each holder of a Claim is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of unpaid interest for tax purposes.

3. *Tax Treatment of Liquidating Trust and Holders of Beneficial Interests.*

(a) *Classification of Liquidating Trust.*

The Liquidating Trust is intended to qualify as a liquidating trust for U.S. federal income tax purposes. In general, a liquidating trust is not a separate taxable entity, but rather is treated for federal income tax purposes as a "grantor trust" (i.e., a pass-through entity). However, merely establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for U.S. federal income tax purposes. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Liquidating Trust has been structured with the intention of complying with such general criteria. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45, all parties (including, without limitation, the Debtors, the Liquidating Trustee and the holders of Second Lien Lender Claims, Non-Assumed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Tax Claims, Priority Non-Tax Claims, General Unsecured Claim, Noteholder Claims and PBGC Claims) are required to treat, for federal income tax purposes, the Liquidating Trust as a grantor trust of which the holders of Beneficial Interests are the owners and grantors, and the following discussion assumes that the Liquidating Trust will be so respected for U.S. federal income tax purposes. However, no ruling has been requested from the IRS and no opinion of counsel has been requested concerning the tax status of the Liquidating Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position. If the IRS were to challenge successfully the classification of the Liquidating Trust, the federal income tax consequences to the Debtors, the Liquidating Trust and the holders of Beneficial Interests could vary from those discussed herein (including the possibility that the Liquidating Trust would be subject to entity level taxation).

(b) *General Tax Reporting by the Liquidating Trust and holders of Beneficial Interests.*

For all U.S. federal income tax purposes, all parties (including, without limitation, the Debtors, the Liquidating Trustee and the holders of Second Lien Lender Claims, Non-Assumed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Tax Claims, Priority Non-Tax Claims, General Unsecured Claims, Noteholder Claims and PBGC Claims) must treat the transfer of the Liquidating Trust Assets to the Liquidating Trust, in accordance with the terms of the Plan, as (i) a transfer of the Liquidating Trust Assets directly to the holders of Beneficial Interests in satisfaction of their Claims, followed by (ii) the transfer by such holders to the Liquidating Trust of such Liquidating Trust Assets in exchange for Beneficial Interests in the Liquidating Trust. Accordingly, all parties must treat the Liquidating Trust as a grantor trust of which such holders are the owners and

grantors. Thus, such holders (and any subsequent holders of interests in the Liquidating Trust) will be treated as the direct owners of an undivided interest in the assets of the Liquidating Trust for all U.S. federal income tax purposes (which assets will generally have a tax basis equal to their fair market value on the Effective Date).

Pursuant to the Plan, as soon as practicable after the Effective Date, the Liquidating Trustee will make a good faith valuation of the Liquidating Trust Assets; and all parties (including, without limitation, the Debtors, the Liquidating Trustee and the holders of Beneficial Interests) must consistently use such valuation for all federal income tax purposes. The valuation will be made available as necessary for tax reporting purposes (on an asset or aggregate basis, as relevant).

Allocations of Liquidating Trust taxable income will be determined by reference to the manner in which an amount of Cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described herein) if, immediately prior to such deemed distribution, the Liquidating Trust had distributed all of its other assets (valued at their tax book value) to the holders of the Beneficial Interests (treating certain pending Second Lien Lender Claims, Disputed Non-Assumed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Tax Claims, Priority Non-Tax Claims, General Unsecured Claims, Noteholder Claims and PBGC Claims as if they were Allowed Claims; see Section 9.12(b)(iv) of the Plan) in each case up to the tax book value of the assets treated as contributed by such holders, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Liquidating Trust. Similarly, taxable loss of the Liquidating Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Liquidating Trust Assets. The tax book value of the Liquidating Trust Assets for this purpose shall equal their fair market value on the Effective Date, adjusted in accordance with tax accounting principles prescribed by the Tax Code, the applicable tax regulations, and other applicable administrative and judicial authorities and pronouncements.

The U.S. federal income tax obligations of a holder are not dependent on the Liquidating Trust's distributing any cash or other proceeds. Therefore, a holder may incur a federal income tax liability with respect to its allocable share of the income of the trust regardless of the fact that the Liquidating Trust has not made any concurrent distribution to the holder. In general, other than possibly in respect of cash retained on account of disputed Second Lien Lender Claims, Non-Assumed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Tax Claims, Priority Non-Tax Claims, General Unsecured Claims, Noteholder Claims and PBGC Claims and subsequently distributed, a distribution of cash by the Liquidating Trust to the holders of Beneficial Interests will not be taxable to such holder since such holder will already be regarded for federal income tax purposes as owning the underlying assets .

The Liquidating Trustee will file with the IRS returns for the Liquidating Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a). Except as discussed below with respect to the Liquidation Trust Claims Reserve, the Liquidating Trustee will also annually send to each record holder of a Beneficial Interest a separate statement setting forth the holder's share of items of income, gain, loss, deduction, or credit and will instruct all such holders to report such items on their federal income tax returns or to forward the appropriate information to the beneficial holders with instructions to report such items on their federal income tax returns. The Liquidating Trustee will also file, or cause to be filed, all appropriate tax returns with respect to any Liquidating Trust Assets allocable to certain disputed Second Lien Lender Claims, Non-Assumed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Tax Claims, Priority Non-Tax Claims, General Unsecured Claims, Noteholder Claims and PBGC Claims that have not been Allowed, as discussed below.

(c) *Tax Reporting for Liquidating Trust Assets Allocable to Certain Disputed Claims.*

Absent definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Liquidating Trustee of a private letter ruling if the Liquidating Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Liquidating Trustee), the Liquidating Trustee will (i) treat any Liquidating Trust Assets allocable to, or retained on account of, Beneficial Interests that would be distributed to holders of disputed Second Lien Lender Claims, Non-Assumed Administrative Expense Claims, Compensation and Reimbursement Claims, Priority Tax Claims, Priority Non-Tax Claims, General Unsecured Claims, Noteholder Claims and PBGC Claims if such Claims were Allowed as held by one or more discrete trusts for federal income tax purposes (the "Liquidating Trust Claims Reserve"), consisting of separate and independent shares to be established in respect of each Disputed Claim, in accordance with the trust provisions of the Tax Code (section 641 et seq.), (ii) treat as taxable income or loss of the Liquidating Trust Claims Reserve, with respect to any given taxable year, the portion of the taxable income or loss of the Liquidating Trust that would have been allocated to the holders of such Disputed Claims had such Claims been Allowed on the Effective Date (but only for the portion of the taxable year with respect to which such Claims are unresolved), (iii) treat as a distribution from the Liquidating Trust Claims Reserve any increased amounts distributed by the Liquidating Trust as a result of any such Disputed Claims resolved earlier in the taxable year, to the extent such distributions relate to taxable income or loss of the Liquidating Trust Claims Reserve determined in accordance with the provisions hereof, and (iv) to the extent permitted by applicable law, report consistent with the foregoing for state and local income tax purposes. In addition, pursuant to the Plan, all holders of Beneficial Interests are required to report consistently with such treatment.

Accordingly, subject to issuance of definitive guidance, (i) the Liquidating Trustee will report on the basis that any amounts earned by this separate trust and any taxable income of the Liquidating Trust allocable to it are subject to a separate entity level tax, except to the extent such earnings are distributed during the same taxable year, and (ii) any amounts earned by or attributable to the separate trust and distributed to a holder during the same taxable year will be includible in such holder's gross income.

4. *Information Reporting and Withholding.*

All distributions to holders of Allowed Claims under the Plan are subject to any applicable withholding (including employment tax withholding). Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable rate (currently 28%). Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax and the appropriate information is supplied to the IRS.

The Treasury Regulations generally require disclosure by a taxpayer on its federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, the following (i) certain transactions that result in the taxpayer claiming a loss in excess of specified thresholds; and (ii) certain transactions in which the taxpayer's book-tax differences exceed a specified threshold in any tax year. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

XIV.

Conclusion

The Debtors believe the Plan is in the best interests of all creditors and urge the holders of impaired Claims in Classes A, B, C, D, E, F, and G to vote to accept the Plan and to evidence such acceptance by returning their Ballots.

Dated: June 10, 2005

Respectfully submitted,

By: /s/ Lester D. Sears
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Title: Chief Financial Officer