

April 9, 2007

Dear Interested Party:

It's been a very eventful time for the receivership since I last wrote. Three involuntary petitions have been filed by certain creditors against Louis J. Pearlman, individually (Case No. 6:07-bk-00761-ABB), Trans Continental Airlines, Inc. (Case No. 6:07-bk-00762-ABB), and Trans Continental Records, Inc. (Case No. 6:07-bk-00832-ABB). In two of the cases, Louis J. Pearlman and Trans Continental Airlines, Inc., the Bankruptcy Judge authorized the appointment of a Chapter 11 Trustee. That Chapter 11 Trustee is Soneet R. Kapila from Fort Lauderdale. It is anticipated that very shortly, Mr. Kapila will also be the trustee for Trans Continental Records, Inc. Once a bankruptcy trustee is appointed, a state court receiver has the duty to turnover all documents and assets of that entity. We have co-operated fully with Mr. Kapila, his staff and his professionals to ensure a smooth transition.

As I have previously mentioned, this is the beginning of a very long and tedious journey. You will be frustrated by what appears to be the slowness of the proceedings however, as a veteran of too many of these sagas, I will assure you that the difficulties in unwinding the intertwining of these Companies and the Pearlman empire of "smoke and mirrors" is a daunting task for the investigators. Since little attention seems to have been paid to normal business protocols in setting up transactions, they become even more difficult. Monies borrowed for one purpose have obviously been used for other purposes; investor funds have been moved around freely amongst the Companies and a host of other problematic issues.

As to the assets that remain in the receivership, we have or in the process of selling: (1) Fashion Rock d/b/a Fashion Rock; (2) real estate in Windermere; and potentially (3) certain vehicles. These sales will not net sufficient assets to make any distribution to the creditors. We are still attempting to find sufficient assets to even meet ongoing expenses. Unfortunately, our largest asset (our potential distribution through our interest in LJP Enterprises in proceeds of the sale of the Church Street Station real estate) has been our biggest disappointment by far. F.F. Station, the entity with the legal ownership to Church Street Station filed for voluntary bankruptcy on February 20, 2007 (Case No. 6:07-bk-00575-ABB). I have filed a claim in that case as Receiver on behalf of LJB Enterprises. In my opinion, the sale of the Church Street Station real estate was the best potential for any recovery for the creditors. We had been led to believe that the sale would have grossed \$40 million. If a sale at that number had come to pass, then a distribution to creditors could potentially have occurred. However, due to certain circumstances, only \$34 million gross was approved as the highest and only bid. Since the deal was structured to allow for certain expenses in the eviction of tenants, it is highly unlikely that the receivership will receive any distribution from this sale. [If you wish to review the Church Street Station sale documents, these documents will be posted on the website.]

I don't know what the future holds, but it is possible that the receivership may not be in existence for the long term if the bankruptcy cases continue to expand. However, I will attempt to keep you posted as long as I am receiver and for as long as there is internet service as well as newsworthy items. Again, especially in light of the imminent closing of sale of the Church Street Station, we will be without phone service, and eventually without internet service. There are other avenues of keeping in touch with current events. As previously mentioned, there are websites of certain media who have been providing excellent coverage of current happenings, including the St. Petersburg Times, <http://blogs.tampabay.com/money/>. This particular site is the "Blog" for Helen Huntley who has been doing a very good job in covering the story. The Orlando Sentinel has also provided extensive coverage, <http://www.orlandosentinel.com/news/local/orange/orl-pearlmansg,0,2411340.storygallery?coll=orl-news-headlines-orange>. This links to all of the related stories on the matters printed in the Orlando Sentinel.

Also, for as long as I am Receiver and internet coverage exists, you can also reach me via e-mail me at [jerrym@t-con.com](mailto:jerrym@t-con.com).

Thank you for your patience.

Best Regards,  
Trans Continental Airlines, Inc.,  
*Gerard A. McHale, Jr.*  
Gerard A. McHale, Jr.,  
Court Appointed Receiver

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