UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION

In re:

GREYSTONE PHARMACEUTICALS, INC.	Case No. 09-32236-PJD
Debtor.	Chapter 11

AMENDED DISCLOSURE STATEMENT ACCOMPANYING CHAPTER 11 PLAN OF REORGANIZATION FOR GREYSTONE PHARMACEUTICALS, INC.

NOTE: The Amended Disclosure Statement has been prepared by Gregory P. Pilant ("Mr. Pilant") who founded Greystone and has served as its Chairman of the Board, Chief Executive Officer, and President since its inception. Mr. Pilant also is a creditor of the debtor. Mr. Pilant is filing this disclosure statement and plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code. MR. PILANT BELIEVES THAT ACCEPTANCE OF THE PLAN DESCRIBED IN THIS DOCUMENT IS IN THE BEST INTERESTS OF THE DEBTOR'S ESTATE, ITS CREDITORS AND ALL OTHER PARTIES IN INTEREST. ACCORDINGLY, MR. PILANT RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PLAN.

Dated: April 19, 2011

Greg P. Pilant
Chairman and CEO
Greystone Pharmaceuticals, Inc.
16261 Bass Rd. Suite 202
Fort Myers, FL 33908
239-432-2780 office
239-432-2782 fax
901-289-8617 cell

This Disclosure Statement (the "Disclosure Statement") is being distributed for the purpose of soliciting acceptances of the Plan. The Disclosure Statement has been prepared by Mr. Pilant in good faith and in compliance with the applicable provisions of the Bankruptcy Code. No representations by any person or entity concerning the debtor, its operations, future sales, profitability, values or otherwise, other than as set forth in this Disclosure Statement, have been authorized.

Mr. Pilant intends to seek to confirm the Plan and to cause the Effective Date of the Plan to occur promptly after confirmation of the Plan. However, there can be no assurance as to whether or when the confirmation or the effective date of the Plan actually will occur.

The information contained in this Disclosure Statement is believed to be correct at the time of the filing of this Disclosure Statement. Any information, representation, or inducement made to secure or obtain acceptances or rejections of the Plan which are, other than, or inconsistent with, the information contained in this Disclosure Statement or other materials authorized to be transmitted by the bankruptcy court should not be relied upon by any person in arriving at a decision to vote for or against the Plan.

This Disclosure Statement has been prepared in accordance with section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016(b) and not necessarily in accordance with federal or state securities laws, tax laws, or other non-bankruptcy law.

This Disclosure Statement contains summaries of certain provisions of the Plan, certain statutory provisions, certain related documents, certain events, and certain financial information. While Mr. Pilant believes that the Plan and related document summaries are fair and accurate, such summaries are qualified to the extent that they do not set forth the entire text of such documents or statutory provisions. Except as otherwise specifically noted, factual information contained in this Disclosure Statement has been provided by a review of the certain parts of the record in the case and by certain persons having a familiarity with the debtor's business. Certain of the financial information contained herein has not been subject to an audit. No warrants are made by Mr. Pilant nor does he represent that the information contained herein, including the financial information, is without any inaccuracy or omission.

A copy of the Plan has been filed with the Court. All holders of claims against or equity interests in the debtors are advised and encouraged to read this Disclosure Statement and the Plan in their entirety before voting to accept or reject the Plan. Unless otherwise specified herein, the statements contained in this Disclosure Statement are made only as of the date hereof, and there can be no assurance that the statements contained in this Disclosure Statement will be correct at any later date. In the event of any conflict between this Disclosure Statement and the terms of the Plan, the terms of the Plan shall govern.

As to contested matters, adversary proceedings and other Actions or threatened actions, this Disclosure Statement will not constitute or be construed as an admission of any fact or liability, or as a stipulation or waiver, but rather as a statement made in settlement negotiations. This Disclosure Statement will not be admissible in any bankruptcy or non-bankruptcy proceeding involving the debtors or any other party (other than in connection with approval of this Disclosure Statement or confirmation of the Plan), nor will it be construed to be conclusive advice on the tax, securities, or other legal effects of the Plan as to holders of claims against or equity interests in the debtors. You are advised to obtain independent expert advice on such subjects.

IRS circular 230 notice: to ensure compliance with IRS circular 230, holders of claims and equity interests are hereby notified that: (a) any discussion of federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of claims or interests for purposes of avoiding penalties that may be imposed on them under the internal revenue code; (b) such discussion is written in connection with the promotion or marketing by the debtors of the transactions or matters addressed herein; and (c) holders of claims and interests should seek advice based on their particular circumstances from an independent tax advisor.

[Space Intentionally Left Blank]

I. INTRODUCTION

Greystone Pharmaceuticals, Inc., *aka* Greystone Medical, Inc., *aka* Greystone Medical Group, Inc., is debtor and debtor in possession (hereinafter referred to as the "Debtor" or "Greystone"), and pursuant to 11 U.S.C. § 1125, Gregory P. Pilant ("Mr. Pilant") who founded Greystone and has served as its Chairman of the Board, Chief Executive Officer, and President since its inception and also is a creditor of the debtor, is submitting the attached Disclosure Statement and Plan. Mr. Pilant submits this Disclosure Statement to all known creditors and interest holders to disclose information deemed to be material, important, and necessary for its creditors to arrive at a reasonably informed decision in exercising their right to vote for acceptance of the Plan of Reorganization (the "Plan"). The Plan sets forth how Administrative Expenses, Claims and Equity Interests in the Debtor will be treated upon the Debtor's emergence from chapter 11 if the Plan is confirmed by the Bankruptcy Court and is thereafter consummated. This Disclosure Statement describes certain aspects of the Plan, the Debtor's business operations, significant events leading to the Chapter 11 Cases, and related matters. **FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND ALL OF THEIR RELATED EXHIBITS AND SCHEDULES IN THEIR ENTIRETY.**

Attached as Exhibits to this Disclosure Statement are copies of the following documents:

- **Exhibit A** **Projected Financial Information**
- **Exhibit B** **Liquidation Analysis**
- **Exhibit C** **Balance Sheet of Debtor**
- **Exhibit D** **Insider Loans & Claims**
- **Exhibit E** **Balance Sheet of First Texas Medical Partners, LLC as of 3/31/11**

A. Purpose Limitations and Structure of this Disclosure Statement

The purpose of this Disclosure Statement is to provide the holders of Claims against the Debtor with adequate information to make an informed decision as to whether to accept or reject the Plan. The information in this Disclosure Statement may not be relied upon for any other purpose, and nothing contained in this Disclosure Statement

shall constitute an admission of any fact or liability or as a stipulation or waiver by any party, or be admissible in any other case or any bankruptcy or non-bankruptcy proceeding involving any of the Debtors or any other party, or be deemed conclusive advice on the tax, securities or other legal effects of the Plan.

No communication of any information about the Plan other than the information contained in this Disclosure Statement and the related materials transmitted herewith or filed with the Bankruptcy Court are authorized. No solicitation of votes on the Plan from a Creditor in an Impaired Class or Interest holder may be made, unless, at the time of or before such solicitation, this Disclosure Statement, in the form approved by the Bankruptcy Court for dissemination, is transmitted to such Persons.

Except with respect to the projections and except as otherwise specifically and expressly indicated herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. The Projections would not be updated nor is it anticipated that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences, unless otherwise ordered by the Bankruptcy Court. Accordingly, the delivery of this Disclosure Statement shall not under any circumstance imply that the information contained therein is correct or complete as of any time subsequent to the date hereof.

After notice and a hearing to be held at a time fixed by the Court, the Court may enter an order approving this Disclosure Statement as containing adequate information (as defined in 11 U.S.C. § 1125) and authorizing the transmittal of this Disclosure Statement along with the Plan, an approved Ballot, and a copy of such approval order to the holders of claims and interests. In that Order, the Court may also (i) approve the solicitation materials and the procedures for distributing such materials, (ii) approve the form and manner of notice of the Confirmation Hearing, (iii) establish the Voting Record Date, (iv) approve the forms of ballots, (v) establish the deadline for submitting ballots on the Plan, (vi) approve the procedures for the tabulation of votes, and (vii) schedule a hearing on the Confirmation of the Debtor's Plan in courtroom 600, 200 Jefferson, Memphis, Tennessee.

B. Voting Prerequisites and Procedures

As a creditor or interest holder, your vote is important. The following procedures for voting on the Plan from holders of Claims against and Equity Interests in the Debtor are set forth below:

1. *Classes Entitled to Vote*

Pursuant to the provisions of the Bankruptcy Code, only holders of claims or interests that are members of a class that: (a) is "impaired" within the meaning of section 1124 of the Bankruptcy Code (an "Impaired Class") and (b) is not deemed to have rejected a Plan under section 1126(g) of the Bankruptcy Code, are entitled to vote to accept or reject a plan of reorganization. Classes of claims or interests that are not impaired under section 1124 of the Bankruptcy Code are conclusively presumed to have accepted a Plan and are not entitled to vote to accept or reject the Plan. Impaired Classes of which the members will receive no recovery under a Plan are deemed to have rejected the Plan under section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

The Classes of Claims and their status as impaired or not impaired are shown below:

Class	Description	Voting Status
1	Administrative Claims	Not Impaired
2	Secured Claim of BLN for Post-Petition DIP Financing Advanced	Impaired
3	Secured Claim of BLN	Impaired
4	Secured Claim of First Texas Medical Partners DIP Financing Advanced	Impaired
5	Claims of prepetition secured note holders.	Impaired
6	Claims of First Texas Medical Partners, LLC ("FTMP") under Section 503 For Preservation of Auxano Contract	Impaired
7	Priority Wage Claims Earned Within 180 Days of the Filing of the Petition	Not Impaired
8	Priority Claims under Section 507 of the Bankruptcy Code General	Impaired

9	Unsecured Claims	Impaired
10	Equity Interests in the Debtor	Impaired

Any holder of a Claim in an Impaired Class at 5:00 p.m. CDT on March 30, 2011, the Voting Record Date, whose Claim has not previously been disallowed by the Bankruptcy Court is entitled to vote if and only if either (i) such holder's Claim has been Scheduled by the Debtor and is not a Disputed, Contingent or Un-liquidated Claim or (ii) a proof of claim was filed and neither the Debtor nor any other party in interest has filed an objection to such asserted Claim or such asserted Claim has been allowed by a Final Order. Accordingly, any Claim as to which an objection has been filed is not entitled to vote unless the Bankruptcy Court, after notice and a hearing, temporarily allows such Claim pursuant to 11 U.S.C. § 502 and FED. R. BANKR. P. 3018 in an amount that Bankruptcy Court deems proper for the purpose of voting to accept or reject the Plan. Thus, although the holders of Disputed Claims may receive ballots, these ballots will not be counted unless such Disputed Claims are allowed temporarily for voting purposes by the Bankruptcy Court.

Only holders of Allowed Claims or Allowed Interests in Impaired Classes as of the Voting Record Date are eligible to vote on the Plan. Entities that acquire Allowed Claims after the Voting Record Date will not be entitled to vote on the Plan, but, if they hold such Claims on the Distribution Record Date (or are otherwise lawfully entitled to receive distributions under the Plan in respect of such Claims) they will be entitled to receive distributions under the Plan.

2. *Votes Required for Acceptance of the Plan by a Class*

Pursuant to the Bankruptcy Code, a class of claims is considered to have accepted a proposed plan of reorganization if the plan is accepted by more than one-half of the class members that actually voted on the plan, holding at least two-thirds in dollar amount of the claims in that class for which a valid ballot was properly submitted.

3. *Tabulation of Votes*

A vote to accept or reject the Plan may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not cast in good faith or was

not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. A Ballot that does not indicate the acceptance or rejection of the Plan or that indicates both acceptance and rejection of the Plan will be counted as a vote for acceptance of the Plan. If the holder of a Claim or Equity Interest otherwise does not properly submit its Ballot, or that holder's vote is disregarded, that holder and that holder's Claim or Equity Interest will not be included in deciding whether the requisite number of Class members and amount of Claims or Equity Interests voted to accept or reject the Plan. If a Class is entitled to vote and no properly submitted Ballots are returned from such Class, the Class will be deemed to have accepted the Plan.

If one or more of the Classes of Claims or Equity Interests entitled to vote on the Plan rejects the Plan, Gregory Pilant reserve the right to amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code, or both, without providing further notice to the holders of any Claim or Equity Interest. Section 1129(b) of the Bankruptcy Code permits the confirmation of a plan of reorganization notwithstanding the non-acceptance of the Plan by one or more Impaired Classes of claims or interests. Under that section, a Plan may be confirmed if it does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class. Holders of Claims and Equity Interests should assume that, if one or more of the Classes of Claims or Equity Interests entitled to vote on the Plan reject the Plan, the Debtors will amend the Plan, as required, and request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code, or both, at the subsequently scheduled Confirmation Hearing.

4. *Voting Instructions*

A Ballot to be used for voting to accept or reject the Plan is enclosed with all copies of this Disclosure Statement that are transmitted to Creditors in Impaired Classes. A Ballot shall not constitute and shall not be deemed to constitute a filed proof of claim or proof of interest or an amendment to a filed proof of claim or proof of interest.

Gregory Pilant recommends that you vote in favor of the Plan.

In order to be counted for voting purposes, Ballots indicating acceptance or rejection of the Plan must be marked, signed, dated and returned so that they are stamped as having been received by no later

than five o'clock (5:00) p.m., central standard time on _____________, 2011, at the following address:

ATTENTION: JOHN L. RYDER

HARRIS SHELTON HANOVER WALSH
2700 ONE COMMERCE SQUARE
MEMPHIS, TENNESSEE 38103

Creditors in impaired classes are required to mark their Ballot to indicate their votes. Before completing a Ballot, creditors in impaired classes eligible to vote on the Plan are advised to read carefully the instruction sheet that accompanies the Ballot. If the Ballot is not properly completed, marked, signed, dated, returned and timely received, it may not be counted. Creditors must vote all claims in a particular class in the same way (*i.e.* all "accept" or all "reject").

If a Ballot is damaged or lost, or the recipient thereof has any questions concerning voting procedures, such recipient should contact the attorney for the debtor: John L. Ryder, Harris Shelton Hanover Walsh, 2700 One Commerce Square, Memphis, Tennessee, 38103. Once submitted, a Ballot accepting the Plan cannot be changed or withdrawn except for cause shown to the bankruptcy court within the time set for voting on the Plan. Ballots of creditors in impaired classes that are signed and returned but that do not expressly provide a vote either for acceptance or rejection of the Plan shall be counted as acceptances. Facsimile Ballots will not be accepted.

C. Overview of Chapter 11 Process

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself, its creditors, and its equity interest holders. In addition to permitting rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to the distribution of the debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor in property as of the commencement date. The Bankruptcy Code provides that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the terms for satisfying claims against and equity interests in a debtor. Upon confirmation of a Plan of reorganization, it is binding on the debtor, any issuer of securities under the Plan, and any creditor or equity interest holder of the debtor. Subject to certain limited exceptions, the confirmation order discharges the reorganizing debtor from any debts that arose prior to the date of confirmation of the Plan and substitutes therefore the obligations specified under the confirmed Plan.

II. THE CHAPTER 11 CASE

A. General Information about Greystone Pharmaceuticals, Inc.

The Debtor was started in 1996 to commercially develop a botanical composition that had shown remarkable efficacy in the treatment of a variety of dermal maladies. From 1996 to 2002, the Debtor worked to understand the biological mechanism of action producing these observed results and developed a synthetic variation of the original botanical with the same or greater level of bio-activity trade named PHI. A composition of matter patent was issued on the synthetic variation in 2002 and several use patents incorporating the patent composition were filed. From 2002 forward, Debtor worked to strengthen its intellectual properties and develop its products and technologies worldwide.

Prior to filling Chapter 11, The Debtor operated through the following affiliates/subsidiaries: Dermagenics U.S., Inc. which operated all woundcare sales; Greystone Research, Inc. which ran all research activities, Dermagenics Europe, B.V. which owned all European regulatory approvals and ran all European operations, Dermedics, Inc. which was formed to operate the cosmetic business, and The Wound Care Company, B.V. which sold wound care products in The Netherlands.

In 2003 Greystone retained the services of Sacher Zelman, a well-respected Miami firm specializing in providing transactional and securities support to pre-revenue companies. In working with this firm, the decision was made to structure Greystone into four operational divisions. Dermagenics became the manufacturing and marketing arm for the wound care products that were coming on line at that time. This served to insulate

Greystone from any potential liability arising from those activities. Dermagenics B.V. was formed as a Dutch company to facilitate product marketing in Europe. In this way Dermagenics could ship non-sterile product to its Dutch B.V. who would then arrange sterility, the last step to market ready product. By doing so, Greystone was able to avoid value added taxes (VAT) for the product shipped to Europe for marketing. Greystone research was formed to allow collaboration with other research facilities without concerns of intermingling Intellectual Property. Additionally this allowed for human clinical trials to be conducted and insulate Greystone from any liability issue that might present from those activities.

All of the activities of these various subsidiaries are being transferred to First Texas and Greystone remains the owner of all the assets, including the patents and all pending patent applications. This will be less costly from an administrative stand point on an ongoing basis.

The Debtor filled separate Chapter 11 cases for Dermagenics U.S., Inc. and Greystone Research, Inc. Dermagenics Europe, B.V. and The Wound Care Company, B.V. have been closed down. Dermedics, Inc. has no debt and remains operational.

Debtor also worked to develop an FDA approved pathway to market with the type of claims justified by the products performance. This was achieved in 2004 through a 510K substantial equivalency finding by the FDA. This allowed the Debtor to market a product with claims in the area of wound healing. At that same time, Debtor had the product approved for market in Europe through the successful obtainment of a CE mark. The Debtor’s successes resulted in negotiations with the 3M Company to license the product containing PHI for sale in the wound care market. These negotiations finally culminated in February 2007 with 3M and the Debtor signing a license with 3M for the United Kingdom. In July 2007 the Debtor signed a pan European license agreement with 3M, superseding the UK agreement. In July 2008, Greystone and 3M signed a Supply Agreement and a License Agreement for the PHI technology and the use of the PHI trademark covering most of the world, excepting China, India, Taiwan and North Africa. The Licensee Agreement provided an upfront Licensee paid to Greystone for $2,000,000. The Supply Agreement provided for Greystone to manufacture for 3M an impregnated

wound care product containing the licensed technology under 3M's trade name Tegaderm Matrix. The 3M Company launched the wound care product in 2008.

B. Greystone 3M Relationship

After several years in development, including regulatory approval and Intellectual protection, Greystone's first market ready product was a topical wound care dressing with an active drug component. This product proved extremely effective in the treatment of recalcitrant, non-healing wounds, especially diabetic ulcers. In a market starved for effective wound healing products, Greystone captured the attention of a number of large pharma companies, including the 3M Corporation. 3M had a huge share of the traditional bandage market and was looking for the proper product to serve as an entrée into the more sophisticated, science and outcome driven advanced wound care market. After two years of negotiations 3M signed a License and Supply Agreement with Greystone for exclusive worldwide rights to Greystone's wound healing technology. Greystone began production in early 09. Under the terms of the Agreement's, 3M was to commit to annual minimums by the fourth quarter of 09. By July of 09 the relationship was already beginning to show strain. 3M was complaining that US sales were not as robust as anticipated (even though sales in international markets were exceeding forecast) and were saying that go forward minimum commitments by them would be nominal at best. By the end of the third quarter of 09, 3M had made it known that they wanted to take over the manufacture of the product and relegate Greystone to a royalty with no substantial minimum guarantees. Any effort by Greystone to push back against this position was stonewalled by 3M.

3M's bad faith dealings left Greystone with two choices; file suit or put the company in a chapter 11 in the Western District of Tennessee. If Greystone were to file suit, the contract fixed jurisdiction in Delaware. Greystone solicited estimates of litigation costs from a number of qualified firms. All estimates ranged in the 1.5 to 2 million dollar area with a three to five year window to final resolution. Filing for Chapter 11 in Tennessee made much more sense. The cost would be in the 150K range, issues other than 3M could be cleaned up and there was a chance that the bankruptcy would bring 3M to the table in good faith to negotiate a go forward solution. Based on this

thinking Greystone filed for Chapter 11 reorganization and protection in the Western District of Tennessee and began operating the Company as Debtor in Possession in late November of 2009. Since the filing, there has been little interaction with 3M and what little there has been has not been favorable to Greystone. 3M has recanted its offer to pay Greystone a 15% royalty with some guaranteed minimums. 3M's latest offer is a 5% royalty, not minimums and they have refused to produce their sales records so the offer can even be properly evaluated. Greystone has learned two things since the filing. 3M is manufacturing and selling the product. And 3M continues to fund the largest and most expensive clinical trial to date on the Greystone technology.

Greystone remains confident in its contractual position with 3M. The language of the contract is clear and unambiguous. Whether Greystone was making a manufacturing margin under the Supply Agreement or receiving a royalty payment under the Licensing Agreement, the net effect was the same. Greystone was to receive net 15 % of gross sales by 3M. This is what the parties negotiated and this is what the language of the two Agreements, read in conjunction with one another, provides. 3M's bad faith has been so markedly egregious in this matter that it seems to lead to one conclusion. 3M does not expect Greystone to survive the Chapter 11. 3M has not provided any of the accounting of sales required by the contract, they have failed to negotiate royalties or minimums in good faith as required and they have otherwise treated Greystone as an annoyance to them. The Plan will provide Greystone the funding to hold 3M accountable for the consequence to Greystone of their actions, both pre-filing and post filing, and pay the royalties they owe, the results could be significant financially.

C. Events Leading to Commencement of Chapter 11

The Debtor derived its principal source of revenue from the Supply Agreement referenced above. The 3M Agreements operated in concert to provide that so long as the Debtor remained the manufacturer of the wound care product, the Debtor would manufacture the product and sell it to the 3M Company. If the Debtor ceased being the manufacturer, then under the terms and conditions of the royalty agreement, a royalty rate was to be determined by the parties to the agreement.

Production of the wound care technology commenced for 3M in 2008. The Debtor manufactured and sold to 3M under the Supply Agreement $450,800 in 2008 and $1,022,000 of product through the third quarter of 2009. In late August, 2009, Greystone asked 3M for the minimum sales for 2010 as required by the Supply Agreement. In response, 3M advised the Debtor that the global sales of the wound care product had been far below its initial projections. Further, that 3M had sufficient inventory to last through the first quarter of 2010, and as a result, it would not be ordering additional product from the Debtor until April of 2010. In September, 2009, the Debtor received notice from 3M of non-conformance to various terms of the Supply Agreement. Greystone responded that the Debtor was in compliance. Subsequently, 3M advised the Debtor that it was cancelling the Supply Agreement in favor of the license agreement. Under the license agreement, the royalty due Debtor and minimum sales levels were "to be negotiated." As discussed below, these contract provisions have not yet been finalized.

This unilateral action by 3M Company left the Debtor without meaningful revenue at a time when the capital markets had virtually collapsed. Debtor was forced to seek out new avenues of short term funding but was ultimately unsuccessful.

Additionally, after execution of the initial agreements, Debtor presented to 3M a new product under development by Greystone which incorporated a diagnostic substrate licensed from the Auxano Corporation. In particular, the Debtor had begun research and development of a diagnostic tool that could be used by a physician at the point of care to help diagnose the underlying cause of a patient’s chronic wound. This tool would be a first of type in the market.

In July of 2008, Debtor began the development of the diagnostic tool. The tool was built around a licensed substrate from the Auxano Corporation. This substrate was able to both identify and quantify the level of certain proteases in a chronic wound. These were the same proteases that the Debtor’s patented technology, under worldwide license to 3M Company, therapeutically modulated. The Debtor incorporated the substrate into a functional, properly calibrated tool.

During 2009, the Debtor engaged in various efforts to reduce costs, working capital needs and discretionary spending, while maximizing liquidity and exploring ways to control costs in a difficult economic environment. The Debtor also exercised every

effort to preserve its rights under its agreements with 3M Company and Auxano. Despite the steps taken by the Debtor, the combination of prevailing conditions overwhelmed the Debtors' ability to conduct normal business operations. Accordingly, the Debtor, hired counsel, and commenced chapter 11 proceedings on November 2, 2009 to preserve its contractual rights and to avail itself of the opportunity to achieve both a financial restructuring and an operational restructuring, thereby preserve the value of its business and intellectual property and technologies associated with the business.

D. Commencement of Chapter 11 Case

On November 2, 2009 (the "Commencement Date"), Greystone filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtor continues to operate its businesses as debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

E. First Day Orders

In the first days following the filing of the chapter 11 case, the Debtor filed several motions seeking entry of "First Day Orders" designed to minimize the disruption of the Debtor's business operations and to facilitate reorganization (certain of the orders were entered on an interim basis at the time and entered as final relief on later dates). Among these, First Day Orders were the following:

1. Orders Regarding Case Administration

The Bankruptcy Court issued a series of orders in the following months that, among other things, (i) authorized the Debtor to continue operation of their businesses under sections 1107 and 1108 of the Bankruptcy Code and implement the automatic stay under section 362 of the Bankruptcy Code; (ii) authorized the Debtor to amend the list of creditors; and (iii) authorize the employment of professionals, including counsel for the Debtor, and establish procedures for the interim compensation and reimbursement of professionals.

2. Orders Regarding Business Operations

The Bankruptcy Court issued a series of orders that, among other things, authorized the Debtor to: (i) obtain post-petition financing (discussed more fully below);

(ii) maintain its existing bank accounts and operate its cash management system substantially as it existed prior to the Commencement Date. Subsequently, the Bankruptcy Court entered final orders that authorized the Debtor to: (iii) obtain post-petition financing from BLN Capital Funding, LLC ("BLN") (Final Order entered 12/29/2009); (iv) obtain post-petition financing from First Texas Medical Partners, LLC (Final Order entered 4/29/2010). On December 22, 2010, the Debtor sought approval of the Court for a third tranche of secured post-petition financing, pursuant to the Debtor's Third Motion for Authority to Incur Secured Post-Petition Financing and Request for Emergency Hearing. Pursuant to Financing Motion 3, the Court, on December 28, 2010, entered its Order Granting Debtor's Third Motion for Authority to Incur Secured Post-Petition Financing. However the financing was not provided to the Debtor and the Debtor agreed to a consent order denying the third application for financing.

F. Appointment of Statutory Committee

On March 23, 2010 the United States Trustee appointed an Official Committee of Unsecured Creditors pursuant to 11 U.S.C. § 1102 (the "Committee"). The United States Trustee appointed Devon Gosnell, Gayle Williams, Martin Doyle, Michael Miller, Larry Kaplan, and Richard Tripeer to the Committee. Devon Gosnell as a representative of the University of Tennessee resigned on the grounds that a governmental unit is not eligible to serve on a Committee. The Debtor objected to the presence of Martin Doyle, former counsel to the Debtor as a member of the Committee. Mr. Doyle subsequently withdrew from the Committee. Therefore, the final composition of the Committee is Mr. Miller, Ms. Williams, Mr. Kaplan, and Mr. Tripeer. In connection with the Chapter 11 Case, the Creditors' Committee sought and obtained approval to retain David J. Cocke of Evans Petree Bogatin, PC as its legal counsel (Order entered April 29, 2010).

G. Current Financial Information

The Debtor's current assets are inventory, equipment, and intellectual property. The Debtor's current balance sheet as of Feb. 28, 2011 attached as Exhibit C.

The following is a list of patents/patent applications with status information:

1. **U.S. Patents**

(a) U.S. Patent No. 6,149,947 – Compositions of Oak Bark Extract Related Synthetic Compositions and Method of Using Same

(i) STATUS – Current, maintenance fees paid to date.

(A) Next maintenance fee due November 21, 2011.

(B) CHECK LARGE/SMALL ENTITY STATUS AND WHEN 3M LICENSE AFFECTED THAT STATUS.

(C) Patent Expires November 6, 2012

(b) U.S. Patent No. 7,014,870 – Compositions of Oak Bark Extract Related Synthetic Compositions and Method of Using Same

(i) STATUS – Current, maintenance fees paid to date.

(A) Switched entity status from Small Entity to Large Entity in view of 3M license

(B) Patent Expires November 6, 2012

(1) However, check effect of 162 day patent term extension on patent expiration date.

(2) If eligible for patent term extension, next maintenance fee due March 21, 2013.

2. **U.S. Patent Applications**

(a) Treatment of Wounds and Compositions Employed

(i) Serial No. 12/565,244 (C/M 5015878-32)

(A) PENDING – awaiting examination

(b) Reduction of Reactive Oxygen Species in Chronic Wound Management

(i) Serial No. 12/798,309 (C/M 5015878-4d)

(A) ABANDONED FOR FAILURE TO PAY FILING FEES AND PROVIDE MISSING PARTS

(c) Wound Dressings Incorporating Honey

(i) Serial No. 12/393,520 (C/M 5015878-10)

(A) PENDING

(1) Office Action 10/1/10 – RESPONSE DUE January 1, 2011

3. **PCT Applications**

(a) Methods for Using Human Neutrophil Elastase as an Indicator of Active Wound Infection

(i) PCT/US09/54532 9 C/M 5015878-0030)

(A) PENDING

(1) National Stage Entry due February 20, 2011

4. **Foreign Patent Applications**

(a) Europe

(i) Treatment of Wounds and Compositions Employed

(A) Application No. 2794072.5 (C/M 5015878-11)

(1) Spencer Fane paid the 2009 annuity

(2) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

b) Office action was outstanding.

(ii) Methods for the Treatment of Wounds Using Time Release Compositions

(A) Application No. 5776454.0 (C/M 5015878-27)

(1) Annuity due WITH PENALTY – December 22, 2010

(2) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

(iii) Reduction of Reactive Oxygen Species in Chronic Wound Management

(A) Application No. 3808544.5 (C/M 5015878-19)

(1) Spencer Fane paid the 2009 annuity

a) 2010 annuity due December 23, 2010

(2) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

(b) Canada

(i) Treatment of Wounds and Compositions Employed

(A) Application No. 2468390 (C/M 5015878-13)

(1) Spencer Fane paid the 2009 annuity

(2) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

(ii) Methods for the Treatment of Wounds Using Time Release Compositions

(A) Application No. 2571314 (C/M 5015878-25)

(1) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

(iii) Reduction of Reactive Oxygen Species in Chronic Wound Management

(A) Application No. 2511440 (C/M 5015878-18)

(1) Spencer Fane paid the 2009 annuity

a) 2010 annuity due December 23, 2010

(2) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

(c) Australia

(i) Methods for the Treatment of Wounds Using Time Release Compositions

(A) Application No. 2005258225 (C/M 5015878-24)

(1) Annuity due WITH PENALTY – December 22, 2010

(2) Status UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

(ii) Reduction of Reactive Oxygen Species in Chronic Wound Management

(A) Application No. 2003303335 (C/M 5015878-17)

(1) Spencer Fane paid the 2009 annuity

a) 2010 annuity due December 23, 2010

(2) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

(d) Japan

(i) Treatment of Wounds and Compositions Employed

(A) Greystone declined to pursue

(ii) Methods for the Treatment of Wounds Using Time Release Compositions

(A) Application No. 2007518276 (C/M 5015878-28)

(1) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

(iii) Reduction of Reactive Oxygen Species in Chronic Wound Management

(A) Application No. 2004563981 (C/M 5015878-21)

(1) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

(e) China

(i) Methods for the Treatment of Wounds Using Time Release Compositions

(A) Application No. 200580024950.7 (C/M 5015878-26)

(1) Greystone declined to pursue

(f) Hong Kong

(i) Treatment of Wounds and Compositions Employed

(A) Application No. 5102570.9 (C/M 5015878-16)

(1) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

(ii) Methods for the Treatment of Wounds Using Time Release Compositions

(A) Application No. 8100731.6 (C/M 5015878-31)

(1) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

(iii) Reduction of Reactive Oxygen Species in Chronic Wound Management

(A) Application No. 6103369.1 (C/M 5015878-20)

(1) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

5. **Foreign Patents**

(a) Australia

(i) Treatment of Wounds and Compositions Employed

(A) Australian Patent No. 200235929 (C/M 5015878-15)

(1) Issued June 5, 2008

(2) Status – UNKNOWN

a) Because of bankruptcy proceedings, foreign associate was advised in 2010 to contact Greystone and Dan Winnett directly.

b) Spencer Fane paid the 2009 annuity

(b) New Zealand

(i) Treatment of Wounds and Compositions Employed

(A) New Zealand Patent No. 533252 (C/M 5015878-12)

(1) Issued July 13, 2006

(2) Spencer Fane paid the 2009 annuity – next annuity due November 2012

The Debtor's obligations include obligations to insiders These obligations were incurred when the debtor needed funding and the insiders agreed to provide loans.

These obligations are:

Insider Loans / Inter-Company Loans

Greg & Chris Pilant

Secured loan	$100,000
Unsecured loans	$3,927,500
Due from Employment Agr	$821,851

Other Insiders

Secured loans	
James Massey	$100,000
Kevin Douglas	$ 25,000
Bob Carter	$ 50,000
Due from Employment Agr	
Kevin Douglas	$ 38,072
Unsecured loans	
James Massey	$100,527
Kevin Douglas	$320,000
Peaches Blank	$500,150
Norman Blake	$152,500
Bob Carter	$ 655
Jim McMahon	$ 314

Attached as Exhibit D are summary sheets with details on the dates and amounts due. All secured loans have blanket liens behind BLN Capital.

Inter-Company Loans 11/2/09 owed to Greystone

Dermagenics BV	$77,009.20
Dermagenics Inc.	$1,577,779.20
GS Research	$3,527,369.30
Dermedics	$17,690.74

Prior Dispositions by Greystone

Comprehensive Diabetic Solutions (CDS)

By late 2003, Greystone's wound healing technology had proven in clinical studies to be the most cost efficient and clinically effective modality available for the treatment of diabetic foot ulcers. This put Greystone on the radar of XLHealth (XLH), a Baltimore based managed care company with a focus on diabetes management in a Medicare population. XLH and Greystone began to cultivate a strategic relationship that culminated in an Agreement for Greystone to provide support for a Medicare

demonstration awarded to XLH in the State of Tennessee involving over 50,000 potential Medicare enrollees. Under the terms of the Agreement, Greystone was to get a large Tennessee Medicare patient population carved out of the total enrolled population for a clinical study of its wound healing technology in a managed care environment. To garner immediate revenue, Greystone was to provide diabetic testing supplies for the Tennessee patients enrolled in the program. Through another strategic relationship, Greystone had the exclusive rights to an Asian line of testing supplies that had just been approved for market by the FDA. The purchase price for these supplies, in light of Medicare reimbursement, allowed Greystone a 60 % gross margin. Greystone formed CDS as a wholly owned subsidiary to become the Medicare approved provider of diabetic supplies for patients enrolled in the demonstration. The demonstration began in 2004. The demonstration would continue to run so long as XLH could prove a 10 percent reduction in prior cost of care for the patients enrolled in the demonstration.

From the outset of the demonstration, XLH proved to be grossly unprepared to effectively enroll, let alone manage such a large population. XLH's struggles to get up to speed precluded any focus by them on the committed patient carve out for clinical testing of the Greystone wound healing technology. Greystone did have some patients directed to it by XLH for testing supplies. This number capped out at a thousand patients, far below that predicted by XLH. At the end of the first year of the demonstration, XLH could not prove the requisite 10 percent reduction in the cost of care for the population enrolled in the demonstration and Medicare cancelled the demonstration. Without new patients being directed to Greystone/CDS for diabetic supplies, the natural attrition rate soon reduced the number of patients receiving supplies from CDS to a number so low it

was no longer profitable for CDS to continue on as a provider. Among other consequences of the reduced revenue from CDS, Greystone needed to reduce the number of its most highly paid executives. The Board decided to terminate the contract of one of its executives. Under the terms of the executive's employment contract, Greystone's early termination triggered a contractual penalty due the executive of approximately $100,000. In lieu of a cash payment the executive agreed to take the assets of CDS, which consisted of testing supplies inventory with a short expiry date, the fair market value of which was well below the $100,000 cash due the executive.

Thermo-Tec

Thermo-Tec was built around a proprietary technology, a solution that became "ice" at 50 degrees F. Once in its solid state it would stay at a constant 50 degrees F. for up to two hours in ambient room temperature. The company, Thermo-Tec, had incorporated pouches filled with this solution into a vest that could be worn by workers in high heat environments. Medicare, at the time of the acquisition, was reimbursing for cryo-therapy for arthritis and other joint and muscle injuries. Ice was the agent most used for this therapy. But ice as a cryo-therapy agent has a severe limitation. Ice can only be left against human tissue for 20 minutes at a time. If left longer, tissue damage will result because of the freezing temperature. During this time period, Greystone was looking for revenue opportunities to help defer overhead while it continued its work to commercialize its own proprietary technology. One of Greystone's Board members and early investors controlled a California based closed pharmacy that provided drugs and medical devices, under an exclusive contract, to the largest skilled nursing chain in the country. Because of this industry background and opportunity, Greystone recognized that

Thermo-Tec's 50 degree ice, incorporated into orthotic wraps for knees, backs, shoulders etc., would represent an improvement over ice based cryo-therapy and ready revenue for the Company. These 50 degree wraps could be left against tissue for two hours plus thereby significantly improving the therapeutic result. Plus, Greystone had ready distribution for an orthotic line featuring 50 degree ice through its Board member referenced above and the high volume closed pharmacy he controlled.

Based on the foregoing, Greystone approached the management of Thermo-Tec and inquired whether Thermo-Tec could design and manufacture an orthotic line incorporating its 50 degree ice. Thermo-Tec worked up some prototypes that looked very good. To go into full production, Themo-Tec required a $200,000 deposit to help defer the ramp-up of a new orthotic line. Greystone paid the deposit and within 60 days Thermo-Tec filed for Chapter 11 reorganization. As a result of the Bankruptcy and Greystone's preferred creditor position, Greystone ultimately ended up owning Thermo-Tec in 1998. After assuming ownership and by the time Greystone received its first production run of the new orthotic line, Medicare abruptly quit reimbursing for cryo-therapy. The market died overnight. ThermoTec did have ongoing distribution for its cooling vests. It sold about $100,000 plus per month to E. D. Bullard, a Kentucky based distributor of worker safety products. These sales remained fairly constant for several years. Greystone did not have the resources to fund a sales force to expand the business and when E. D. Bullard switched to a Chinese company knocking off the line, the business was essentially over. Shortly thereafter, Greystone closed the business and sold off the assets. Without E. D. Bullard's consistent revenue, the other sporadic orders were not enough to justify Greystone's continued ownership and operation of the Company. In

retrospect, Greystone's strategy to develop the cryo-therapy line was sound and would have been produced significant revenue but for Medicare's decision to quit reimbursing for cryo-therapy.

H. Post-Petition Operations by the Debtor in Possession

Since the filing of the Chapter11, and in spite of significant staff reductions and limited resources, the DIP has been able to continue to operate and move forward in certain key areas. In November of 2010 Greystone filed for its second 510K market clearance for a new product. New patent applications were also filed on this new product. This product targets post nasal surgery and will be the first product cleared by the FDA for that indication. Research on this new product has demonstrated a significantly improved rate of growth of new cilia in the mucous membranes involved in nasal surgery. The failure of the mucosa to develop new cilia after nasal surgery is a significant risk associated with this surgery. The product and its promising research were presented in October at the Annual Oto-laryincological Congress and were extremely well received. Presently, work is underway to develop the second product in this line. One that will be indicated to treat chronic rinusitis, a wide spread condition with no effective remedy at this time.

Greystone has developed a new product in its Veterinary line. It is a spray indicated for numerous chronic fur and skin abnormalities common in the pet and livestock area. The new spray is very easy and convenient to apply. The first products developed by Greystone for this market were in tubes and were targeted for sales to veterinarians for their own clinical use and for the vet to sell directly to their consumer.

Greystone has done work on sterile medical honey as a wound care product, and has been one of the pioneers in the use of honey in wound care by doing clinical trials in Europe on the product MelMax. Honey has long (since Egypt B.C.) been noted for its wound care efficacy. While Greystone has had to pass on current opportunities with honey, since it has no money to pursue FDA approvals needed or take medical honey to market, First Texas should be able to reenter this honey product market at a future time. Greystone was not able to react to this opportunity as it was frozen in place by the lack of funds caused by being in Chapter 11.

Through a strategic relationship with our Netherlands distributor, Greystone has been able to maintain its CE approval for its Melmax product. Sales of Melmax have been $48,000 in the first six months and our growing from the Netherlands alone. Sales of Melmax should experience high growth over the next three years by developing Distributors throughout Europe

Greystone has continued its clinical study for its diagnostic tool and the data is very promising. In addition, the company continues to explore a major pharmaceutical partner for its diagnostic tool. Advanced wound care to date has been an art not a science. To this date there has not been any reliable diagnostic tool. This new diagnostic device is designed to be administered by the physician in the office with results in ten minutes. This diagnostic device will tell the physician how elevated the protease levels are in a wound. It is likely that this device will become the "standard of care" and all wounds will need to be evaluated with this diagnostic test. Greystone has the only drug that down regulates protease levels. Thus, in summary, this device describes exactly how "poisoned" the wound is, and Greystone makes the only "antidote."

Greystone and Auxano have developed a diagnostic tool for determining the protease levels in a wound. J&J Ethicon now known as Systagenix has offered to pay $2.7 million up front license fee to Greystone for the rights to sell this product (that Greystone has the rights to distribute), and additional payments of $500,000 upon FDA approval and another $500,000 for CE (Europe) approval. This would result in payments to Greystone of $675,000, $125,000, and $125,000 for a total of $925,000. Both are expected within 12 months of the start of the process. The patents have a long life. The Plan provides Greystone with a 12% royalty payment to be split with Auxano. Auxano's royalty is based on gross profit leaving Greystone's slit to be a minimum of 4.25%. The royalty portion should be a least 48 million over the life of the patent. See spreadsheet.

Prior to the development of this new diagnostic product there has not been a tool that would be quick, inexpensive, and readily available to diagnose the level of protease in a wound. Dr. Greg Schultz, a noted wound care researcher at the University of Florida, stated in a keynote address to the World Wound Care Conference in Toronto, "This diagnostic tool will change the way wound care is delivered around the world." This diagnostic tool would essentially describe one thing; how high are the protease

levels, and consequently how much PHI™ is needed to correct the problem. It would tell the level of poison for which Greystone PHI™ is the only antidote, to use an analogy. Systagenix is one of the largest wound care company in the world with sales offices in 50 countries however we are not obligated to work with him and are also looking at other options.

It is Greystone's opinion based on the context of these discussions that after it emerges from Chapter 11 it will be able to close a deal for this product with a seven figure initial licensing fee, and both ongoing periodic licensing fees and running royalties based on sales.

During the pendency of this case, Greystone has lacked the resources to maintain and expand its intellectual property portfolio. However, Greystone has continued to monitor its IP and to date, no significant irreparable prejudice has taken place. Moreover, Greystone has a go forward strategy to both streamline and expand its IP once funded. This will ultimately lead to the development of a new technology platform which brings forward all prior scientific knowledge learned, updates and improves upon that knowledge, starts a new clock running, and will be much stronger and vibrant as a result

I. Other Significant Events During the Chapter 11 Case.

1. Post-petition Financing and Use of Cash Collateral

Pursuant to an Order of the Bankruptcy Court dated December 12, 2009, the Bankruptcy Court approved DIP financing from BLN Capital Funding, LLC ("BLN") on a final basis in an aggregate amount not to exceed $150,000. Prior to the commencement of its bankruptcy, the Debtor was indebted to BLN in the approximate amount of $1.1 million, exclusive of interest, fees, attorneys' fees, costs, expenses and other charges provided for under the loan documents. As of the petition date, BLN asserted that it held and continued to hold valid and perfected first-priority liens and security interests in and to, among other things, all or substantially all of the personal property of the Debtor. The BLN post-petition funding constitutes a super priority administrative expense that, subject to certain exceptions is secured by: (a) senior priming perfected liens pursuant to § 364(d)(1) of the Code on all of the personal property of the Debtor's estate ("Collateral") which, on the petition date, was subject to existing valid and perfected

senior liens or security interests of BLN; (b) first and prior perfected liens pursuant to 11 U.S.C. § 364(c)(2) on the post-petition Collateral, if any, which was not subject to perfected liens or security interests on the Petition Date; and (c) junior perfected liens pursuant to 11 U.S.C. § 364(c)(3) on post-petition Collateral which, on the Petition Date, was subject to a valid, perfected and unavoidable lien. In addition, for making the funding available, BLN receives an equity interest in the Reorganized Debtor equal to one-half of one percent (.5%) and an additional one-half of one percent (.5%) if the Debtor draws more than $150,000. The BLN funding provided working capital and paid for necessary operating expenses.

Pursuant to an Order of the Bankruptcy Court dated April 29, 2010, the Bankruptcy Court approved secondary DIP financing from First Texas Medical Partners, LLC ("First Texas" or "FTMP") on a final basis in an aggregate amount not to exceed $300,000. The First Texas funding constitutes a super priority administrative expense that, subject to certain exceptions is secured by: (a) senior priming perfected liens pursuant to § 364(d)(1) of the Code on the post-petition Collateral which, on the Petition Date, subject to valid and perfected senior liens or security interests of BLN; (b) first and prior perfected liens pursuant to 11 U.S.C. § 364(c)(2) on the post-petition Collateral, if any, which was not subject to perfected liens or security interests on the Petition Date; and (c) junior perfected liens pursuant to 11 U.S.C. § 364(c)(3) on post-petition Collateral which, on the Petition Date junior only to the lien of BLN, was subject to a valid, perfected and unavoidable lien. All liens granted to First Texas are junior to the prior liens of BLN. In addition, for making the funding available, First Texas receives an equity interest in the Reorganized Debtor equal to one-half of one percent (.5%) and an additional one-half of one percent (.5%) if the Debtor draws more than $150,000. First Texas funding provided working capital and paid for necessary operating expenses.

2. Assumption of Executory Contracts and Leases

On January 12, 2010, the Debtor filed its Motion to Assume Patent and Technology License from Auxano. On January 27, 2010, Auxano filed its Objection to the Debtor's Motion. On April 5, 2010, the bankruptcy court entered an Order Conditionally Granting the Debtor's Motion to Assume Patent and Technology License. Auxano appealed the bankruptcy court's order to the United States District Court for the

Western District of Tennessee. This appeal was denied by an Order of the U.S. District Court entered on March 8, 2011. Gregory Pilant believes that the assumption of the license agreement from Auxano is in the best interest of the bankruptcy estate and instrumental to its reorganization efforts. The proponent proposes that the assumption and assignment take place as a plan provision rather than a separate 11 U.S.C. § 363 sale.

3. Distribution/License Agreements

VetCare: The Debtor provides to VetCare an amorphous ointment containing PHI® under a licensing and manufacturing agreement entered into in June, 2008. VetCare was obligated to pay the Debtor a $100,000 milestone fee in July 2010, To date, however, it has failed to so do.

EnTent Care: The Debtor entered into a Distribution and Licensed Agreement with EnTent Care in July, 2009. EnTent Care is based in Orlando, Florida and is a medical distribution company. The Agreement is for PHI® technology for use in the treatment of the mucosal membrane of the nose and the gut. The first product developed by Greystone for distribution by EnTent Care under this agreement is RhineActive™. Designed to be used after nasal surgery, RhineActive™ is the first product in this market sector. Failure of the sinus to grow new cilia is the most significant complication of nasal surgery. FDA clearance to market this product is pending. EnTent Care is currently continuing to develop scientific and clinical support for the efficacy of this product.

InTon: Greystone has developed a line of facial cosmetics utilizing the PHI® technology. Marketing efforts for this product line have been constrained by funding.

Principelle: is a Dutch based medical product distribution company focusing on high-end wound care products. Principelle began marketing the MelMax® product in Europe in the second quarter of 2010. MelMax is a product developed and manufactured by Greystone that contains buckwheat honey combined with PHI® and then impregnated into a single ply dressing.

4. Pursuit of Plan Options

As described in more detail in Section 3, the Debtor's Plan involves the Debtor licensing to First Texas Medical Partners, the Debtors' existing intellectual property in exchange for royalty payments to the Debtor. The Debtor explored all known

opportunities to obtain new debt, equity, or business relationships to enable the Debtor to reorganize. Specifically the Debtors have been in contact with Breslau Capital Partners, LLC of New York, New York and Templeton Pharmaceuticals, Inc. of Rockwell, Texas. Both of these entities have signed non-disclosure agreements and have been provided substantial information regarding the Debtor's intellectual property interest and current financial status. The Plan proponent has had several meetings with both groups and both parties are still in their current review process. Other interested parties have reviewed information from the Debtor and have not expressed any interest in any business relationship with Greystone. The proponent is not aware of any other option which will provide an opportunity for future payments to unsecured creditors and shareholders.

III. SUMMARY OF PLAN OF REORGANIZATION

A. General Overview

Gregory Pilant, pursuant to 11 U.S.C. § 1121, 1123 and 1127 and related applicable sections of the Bankruptcy Code, is proposing a plan of reorganization (the "Plan"). The Plan is based upon the Debtor's belief that the interests of the Debtor's creditors and interest holders will be best served if the Plan is approved and repayment of its debts are as set forth in this Plan.

The following summary is a general overview and is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions, information and financial statements and notes appearing elsewhere in this Disclosure Statement and the Plan. All capitalized terms not defined in this Disclosure Statement have the meaning subscribed to such terms in the Plan, or applicable provisions of the Bankruptcy Code. The Plan submitted by Gregory Pilant has been filed with the Court and has been distributed with this Disclosure Statement.

This Disclosure Statement contains, among other things, descriptions and summaries of the provisions of the Plan being proposed by Gregory Pilant as filed on April 19, 2011, with the United States Bankruptcy Court for the Western District of Tennessee. Certain provisions of the Plan, and thus the descriptions and summaries contained herein, may be the subject of continuing negotiations among Gregory Pliant and various parties have not been fully agreed upon and may be modified. Such

modifications, however, will not have a material affect on the distributions contemplated by the Plan.

B. General Structure of the Plan.

Gregory P. Pilant, Chairman of the Board, Chief Executive Officer, President, and Creditor, is the proponent of the Plan within the meaning of 11 U.S.C. § 1129. The Plan contains separate classes and proposes recoveries for holders of claims against and interest in the Debtor. After careful review of the Debtor's current business operations, estimated recoveries in liquidation, and the prospects of ongoing business, Mr. Pilant has concluded that the recovery to its creditors will be maximized by the reorganization of the Debtor as contemplated by the Plan. Specifically, he believes that its business and assets have a significant value that would not be realized in a quick liquidation, such as in a chapter 7 bankruptcy case. According to the valuation analysis prepared by Mr. Pilant on the Debtor's assets, he believes that the value of its estate is significantly greater in the proposed reorganization Plan than in liquidation. A proforma setting forth the Debtor's projected financial information is attached as **Exhibit A**. These projections are based on a payout from Royalties from First Texas only. This does not have any 3M payments or royalties. It also does not have any additional PHI Products such as products for eyes, gums, or additional sinus products. It does account for the diagnostic product and growth of the Debtor's present product lines. The payout below represents the Net Income to apply to the debt and other payments to be made per the terms of the Plan. "Net Income" is after consultant compensation, Insurance, and accounting costs.

Royalty Income

2011	$900,000	
2012	$950,000	payment of DIP & BLN
2013	$1,650,000	
2014	$2,250,000	payment of Secured, IRS and 1.5 m of unsecured
2015	$2,600,000	
2016	$3,000,000	
2017	$3,000,000	
2018	$3,000,000	
2019	$3,000,000	

2020	$3,000,000	
Total	$23,350,000	Paid $22,600,000 Debt plus payment to shareholders

Tax Consequences

The Debtor has a Net Operating loss for regular and alternative minimum tax. The Debtor can generally carry the loss forward for 20 years from the original year of loss. The losses will start expiring in 2019 under current law. This will result in the above payments being made without additional tax consequences to the Debtor. The loss carry forward is $42,885,758

C. Means for Implementation

The Plan will be implemented, and the distributions thereunder funded, as described below.

1. Future Personnel and costs to the Debtor

Following confirmation, a shareholder's meeting would be called to elect a new Board of Directors. The Board would appoint new officers. Mr. Pilant would consider serving on the Board of Directors if elected. It is expected the Mr. Pilant will be offered a full-time position with First Texas Medical Partners to serve as COO of the Pharma Company being formed by First Texas Medical Partners. The role of any other current insider would be determined post-confirmation.

The Debtor will require an accounting function after emerging from Chapter 11. It is anticipated that this will be a part-time position and will cost the Debtor approximately $2,500 per month. In addition, the Company will have ongoing insurance and auditing costs. Marsha McNair, who was an employee of the Debtor is proposed to continue as the bookkeeper for Greystone on a part-time basis.

2. *First Texas Medical Partners, LLC*

First Texas Medical Partners, LLC ("First Texas" or "FTMP") was formed as a venture capital company to invest in and fund various companies doing business in the medical science and practice field. FTMP formed a wholly-owned entity in August, 2010 for the purpose of operating the business provided for in the plan; however, all obligations in the Agreement with Greystone and FTMP shall be joint obligations of FTMP and its wholly-owned subsidiary.

In December, 2009 FTMP expressed an interest in the business of the Debtor. In January, 2010, the Debtor and FTMP agreed to the terms of the Plan and entered into a Letter of Intent ("LOI"). The Board of Directors of the Debtor approved the terms of the LOI subject to court approval.

FTMP has taken a number of actions to aid the Debtor during the pendency of this bankruptcy proceeding. FTMP has provided $205,000 in DIP financing. When the manufacturing facilities leased by the Debtor were subject to foreclosure, FTMP purchased the manufacturing facilities (MAI appraisal $2.4 Million) to allow the Debtor to continue operations. FTMP has deferred approximately $90,000 in rent proceeds, which have not been paid by the Debtor. FTMP also has paid one-third of the financial requirements of Auxano, and is obligated to fund the remaining two-thirds, in order to maintain a license to manufacture and sell their diagnostic tool.

In order to provide operating capital to support the Plan, FTMP has arranged financing from Advantage Capital Partners, an innovative group of venture capital partnerships with more than $1 billion under management. Advantage Capital Partners, New Business Tax Fund Division in Washington, D.C., has reserved $10 Million of their current $70 Million allocation of funds to provide some of the funding needed by FTMP to operate under the Plan. Such funding is not available unless the Plan is approved. FTMP has also aligned itself with Global Hunter Securities, which is prepared to provide additional funding through a Private Placement, if necessary. Both the New Biz Tax Credit facility offered by Advantage Capital Partners and the funding through Global Hunter are secured by real estate positions of FTMP with an MAI appraisal of $43.34 Million.

In additional to hiring key operational personnel of the Debtor and identifying a new CEO with outstanding credentials, FTMP has retained the services of Torreya Partners to provide strategic advice and assistance in identifying and securing licensees interested in purchasing and distributing the acquired IP worldwide. Principals in Torreya Partners have strong expertise in specialty pharmaceuticals and drug delivery in the United States, Europe and India. Torreya Partners have been involved in the pharmaceutical industry for over the past 30 years and have been involved in a number of the first specialty pharmaceutical company development and financings.

On the Effective Date, the Debtor will license to FTMP the Debtor's existing IP, including issued patents, patent applications, licenses for intellectual property, including the 3M license and the Auxano license, and all existing contracts for the development of the VetCare, EnTent Care, MelMax and InTon product lines. In consideration for the assignment and/or license of certain intellectual property and technologies owned by the Debtor, FTMP will pay a royalty to Debtor for licensed products sold. The following list explains the breakdown of the royalty payments for product sold.

- 15% for Medical Products sold
- 8% for non-medical products sold
- Any sub-licensing fees will be split 25% Greystone and 75% FTMP

Additionally, FTMP will employ key Greystone management and other necessary personnel, maintain and grow IP, further commercialize the IP platform and pay all costs associated therewith.

As referenced above, Exhibit A is a list of projected royalty income and expenses for the Debtor under the Plan.

Attached hereto as Exhibit E is the 3/31/11 balance sheet for First Texas Medical Partners, LLC as provided by First Texas Medical Partners, LLC to support the viability of the future operations of First Texas Medical Partners, LLC.

3. 3M Company

As discussed earlier, 3M Company's cancellation of the Supply Agreement and the resulting loss of revenue necessitated Greystone filing for this plan of reorganization. As of the date of this disclosure, Greystone has been unable to come to an agreement with 3M as to (a) the amount of royalties due it and (b) the minimum level of sales required under the Licensing Agreement in light of the cancellation of the Supply Agreement. Because 3M and Greystone have not been able to reach an equitable resolution, Greystone is filing a motion or adversary proceeding with the Court to bring these issues before the Court. However, a final resolution may not be achieved without filing a separate adversary proceeding seeking injunctive relief and/or monetary damages. Such a proceeding may be both prolonged and costly. FTMP has agreed to fund the litigation on behalf of the Debtor against 3M. The Debtor knows 3M is currently marketing the Debtor's PHI technology and does owe royalty payments. FTMP will be reimbursed for their out of pockets expenses ("costs") out of the 3M payment and any recovery of the receivables owed by 3M above the costs will be split 75% Greystone and 25% FTMP after the secured claim of BLN has been paid in full.

The Debtor will pay ordinary and necessary business expense from the royalties received along with the payments of tax claims in Class 6; the remaining Net Income will be distributed quarterly in order of priority, with Class 2 receiving the Net Income until paid in full, then Class 3, on continuing until all classes have been paid in full.

4. Risk Factors Present for Successful Implementation of Plan.

a. The Plan relies exclusively on the ability of FTMP and its subsidiary. FTMP does not have demonstrable ability in selling medical products and has no history or knowledge of selling Greystone's products. FTMP intends to utilize several of Greystone's existing management to commence development and selling product and has retained the services of an internationally known advisory firm to identify licensees

to further market and sell the company's products, but there can be no assurance that the product will be sold in sufficient quantity to pay Greystone royalties. Second, FTMP has provided a balance sheet to the Debtor that is not in accordance with GAAP and is not audited nor has FTMP provided an income statement. It is difficult to draw any conclusion as to whether FTMP has the required financial ability to develop the products, market and sell the products, augment the patents and to cover the overhead of existing Greystone employees who will assist FTMP in the pursuit of its business. There can be no assurance that FTMP will meet its obligations under the Plan.

b. The Plan does not provide any royalty income from 3M Company due to the uncertainty involved in the legal situation with 3M Company. There can be no assurance that the Debtor will be able to conclude the legal situation and, if concluded, whether the resolution will provide Debtor with any revenue therefrom.

c. Greystone's principal composition of matter patent expires in November of 2012. While Greystone has several new patent applications pending, there can be no assurance that any of these will issue prior to the expiration of the composition patent and if issued, will provide sufficient protection for the Debtor to protect its patent position. Moreover, 3M Company has verbally indicated that it does not believe it owes royalties to Debtor beyond the 2012 patent expiration. There can be no assurance as to whether 3M will be obligated to pay royalties beyond 2012 or what the royalty amount will be.

d. There is no assurance that FTMP will be able to generate any revenue from VetCare, Entent Care, or the diagnostic tool incorporating the Auxano substrate, or that any revenues

generated will be sufficient to sustain operations and generate royalty income to Greystone.

e. There is no guarantee that FTMP will be able to hire the key employees from Greystone with the knowledge and ability to carry the plan forward.

f. There is no assurance that any of the revenue opportunities addressed in this Plan will produce any revenue for the company and therefore, there is no assurance that Debtor will be able to pay any portion of its pre-petition or post-petition debts. **Pursuant to the Plan, FTMP will hire several of Debtors employees, thus Debtor will have less overhead. However, Debtor is still responsible for legal, accounting, insurance and general administration of its activities to include, but not be limited to, administration of all debt and stock holders, accounting, tax returns and related administrative duties. All of these activities have to be funded by royalties received by FTMP. There can be no assurance that FTMP will pay royalties in sufficient amount and time for Debtor to meet its obligations post Plan approval. There can be no assurance that Debtor will have enough cash over the life of the Plan to make the required Plan payments.**

g. The estimated recoveries contained herein are strictly estimates. The ability to achieve these estimates have to be considered in light of the risk factors herein. There can be no assurance the estimated recoveries will be attained.

D. Classification and Treatment of Holders of Claims and Equity Interests

The following summarizes the classification and treatment of the principal prepetition claims and interests addressed in the Plan. Classification and treatment for all

classes is described in more detail in the Plan and reference is made thereto. The following also sets forth the Debtor's estimate of the amount of claims that will ultimately be allowed in each class based upon a review by the Debtor of the claims scheduled by the Debtor, consideration of the provisions of the Plan that affect the allowance of certain claims, and a general estimate of the amount by which allowed claims may ultimately exceed the amount of claims scheduled by the Debtor. The following also includes estimated recoveries for the holders of claim in each class. For purposes of estimating the percentage of recoveries set forth below, the Debtor has analyzed the assets and liabilities of the Debtor based upon the liquidation value of the assets. No representation can be or is being made with respect to whether the estimated percentage of recoveries shown below will actually be realized by the holders of allowed claims in a particular class.

As set forth in attached Exhibit B, the debtor will receive royalty payments from FTMP on a quarterly basis beginning in June of 2011. Class 6 shall have a set monthly payment. After payment of expenses and taxes, the net will be distributed to Classes 2, 3, and 5. Quarterly payments to Classes 2, 3, and 5 will be pro rata. Once Classes 2, 3 and 5 have been paid, Class 4 shall be paid. Once Classes 2, 3, 4, and 5 are paid in full, Class 6 will receive 100% of the net income. After Class 6 is paid Class 7 will receive 100% of the net income. After Class 7 is paid in full, all future income shall be paid to Class 8.

Class	**Description**	**Treatment Under the Plan**	**Proposed Payments**	**Voting Status**
1	Administrative Expenses. (Estimated $ in this Class is $100,000)	To be paid in full on the Effective Date.	100%	N/A
2	Secured Claim of BLN for Post-Petition DIP Financing Advanced (Estimated $ in this Class if $180,000)	To be paid quarterly with 12% interest from net income. It is estimated that the final payment to this class will occur in the third quarter of .2011	100%	Impaired
3	Secured Claims of BLN Capital Funding, LLC ("BLN")(Estimated $ in this Class	To be paid quarterly with 10% interest from net income. It is estimated that the final payment to this class will occur in 2012.	100%	Impaired

	is 1.1 million)			
4	Secured Claim of First Texas Medical Partners DIP Financing Advanced (Estimated claims in this Class total $300,000)	To be paid quarterly with 12% interest from net income. It is estimated that the final payment to this class will occur in 2012.	100%	Impaired
5	Prepetition Secured Noteholders (estimated claims in this class are $2 million)	To be paid quarterly from net income after payment of Class 2 claims. It is estimated that the final payment to this class will occur in 2014.	100%	Impaired
6	Administrative Priority Preservation Claims of FTMP (Estimated $ in this Class $380,608.86)	To be paid quarterly from net income. It is estimated that the final payment to this class will occur in 2014.	100%	Impaired
7	Priority Wage Claims Earned Within 180 Days of the Filing of the Petition	To be paid in case on the effective date.	100%	N/A
8	Priority Tax Claims. (IRS claim for $425,653.82)	To be paid over sixty (60) months with 4% interest and monthly payment of $7839.06	100%	Impaired
9	General Unsecured Claims (Estimated $ in this class is 18 million to 19.5 million)	To be paid from net income. Estimated that payments will begin in the first quarter of 2014. It is estimated that unsecured would be paid in full in 2020.	100%	Impaired
10	Equity Interests in Greystone Pharmaceuticals, Inc.	Equity interest holders will retain their ownership interest in the Debtor but will receive no distribution on account of that ownership interest until all Classes have been paid in Full.	100%	Impaired

IV. CONFIRMATION OF THE PLAN OF REORGANIZATION

To confirm the Plan, the Court must, after notice, hold a hearing on the question of confirmation. A party in interest may vote for or against the Plan and otherwise support or oppose the reorganization effort. Also, a party in interest may object to confirmation of the Plan and appear at the confirmation hearing to prosecute such objection. Requirements for confirmation of a Chapter 11 Plan are set forth in 11 U.S.C. § 1129. The following is a summary of some of those requirements:

- **Acceptance by Impaired Classes**. Each class of creditors and each class of interests must accept the Plan, or must be unimpaired under the Plan. In general, a class of claims accepts the Plan if the Plan has been accepted by creditors that hold at least two-thirds (2/3) in amount and more than one-half (1/2) the number of allowed claims of such class held by the creditors that have voted. A class or interest has accepted a plan if such plan has been accepted by holders of such interest that hold at least two-thirds (2/3) in amount of the allowed interest of such class held by the holders or interest that have accepted or rejected the Plan.

- **Feasibility**. The Court is required to find that the confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the business, unless liquidation is part of this Plan. The Court must determine that the Plan adequately addresses the business's need for reorganization if that is required, and that the company is likely to be able to perform under the Plan. It is to be emphasized that a finding by the Court that the Plan meets these requirements is not a guarantee that the Plan will be fully performed.

  In order to determine whether the Plan satisfies the feasibility requirements of the Bankruptcy Code, the Debtor has analyzed its ability to meet its obligations under the Plan. As part of this analysis, the Debtors have prepared the projections set forth in **Exhibit A** hereto (the "Financial Projections"). Based upon the Financial Projections, the Debtor believes that the Reorganized Debtor will be a viable operation following the Chapter 11 Cases thus, the Plan will meet the feasibility requirements of the Bankruptcy Code.

- **Best Interest Test.** Often referred to as the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires the Bankruptcy Court to find, as a condition to confirmation of the Plan, that each holder of a Claim or Equity Interest either: (i) has accepted the Plan; or (ii) will 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 or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

  The starting point in determining whether the Plan meets the "best interests" test is a determination of the amount of proceeds that would be generated from the liquidation of the Debtors' assets in the context of a chapter 7 liquidation (such amount, the "Liquidation Proceeds"). The Liquidation Proceeds must then be reduced by the costs of such liquidation, including costs incurred during the Chapter 11 Cases and allowed under chapter 7 of the Bankruptcy Code (such as professionals' fees and expenses, a chapter 7 trustee's fees, and the fees and expenses of professionals retained by the chapter 7 trustee). The potential chapter 7 liquidation distribution in respect of each Class must be reduced further by costs imposed by the delay caused by conversion to chapter 7. In addition, inefficiencies in the claims resolution process in a chapter 7 would negatively impact the recoveries of creditors. The net present value of a hypothetical chapter 7 liquidation distribution in respect of an impaired claim is then compared to the recovery provided by the Plan for such impaired claim.

- **Compelled Acceptance or "Cram Down" Provisions.** Under circumstances which are set forth in detail in 11 U.S.C. § 1129(b), the Court may confirm a Plan even though a class of claims or interest has rejected the Plan. The Debtor will attempt to invoke these "cram down" provisions should any class of claims or interest whose acceptance of the Plan is required fail to accept the Plan since the Debtor believes that with respect to each class, the Plan is fair and equitable within the meaning of the 11 U.S.C. § 1129(b) and does not discriminate unfairly. Among other things, 11 U.S.C. § 1141 provides that except as otherwise provided in the Plan or in the order confirming the Plan, the confirmation vests the property

of the estate in the Debtor, and such property is free and clear of all claims and interests of the Debtor and equity security holders. Generally, confirmation of the Plan operates to discharge the Debtor from any debt that arose before the confirmation whether or not the holder of such claim has accepted the Plan.

V. ALTERNATIVES TO CONFIRMATION OF THE PLAN

The Debtor believes that the Plan affords the holders of Claims and Interests the potential for the greatest realization of value from the Debtor's assets and, therefore, is in the best interest of such holders. If the Plan is not confirmed, however, the theoretical alternatives include (a) continuation of the pending Chapter 11 case; (b) an alternative plan or plans of reorganization; or (c) the liquidation of the Debtor under Chapter 7 or Chapter 11 of the Bankruptcy Code.

A. Continuation of the Bankruptcy Case.

If the Debtor remains in Chapter 11, it could continue to operate its business and manage its properties as debtor-in-possession; however, its assets would remain subject to the jurisdiction of the Bankruptcy Court and provisions of the Bankruptcy Code. It is unlikely that the Debtor could survive operating as a Chapter 11 debtor.

B. Alternative Plans of Reorganization.

If this Plan is not confirmed, any other party in interest of the Chapter 11 case could propose a different plan or plans. Such plans might involve either a reorganization or continuation of the Debtor's business or an orderly liquidation of its assets or a combination of both.

C. Liquidation under Chapter 7.

If no Plan is confirmed, the Debtor's Chapter 11 case may be converted to a case under Chapter 7 of the Bankruptcy Code. In a Chapter 7 case, a Trustee would be appointed to liquidate the assets of the Debtor. It is impossible to predict the funds that would be received from a liquidation of the Debtor's assets or to predict a distribution to the respective holders of Claims against or Interests in the Debtor. The Debtor does, however, believe that creditors would lose substantially higher value if the Debtor is forced to liquidate in Chapter 7 which is reflected in the preliminary liquidation analysis set forth as **Exhibit B** hereto ("Liquidation Analysis").

To calculate the probable distribution to members in an impaired class of holders of claims and interests if the Debtor were liquidated under Chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the Debtor's assets if its Chapter 11 case were converted to a Chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the Debtor's assets by a Chapter 7 trustee.

The amount of liquidation value available to secured creditors would be reduced, first, by the claims of those entities that provided the Debtor post-petition funding to the extent of the value of their collateral. In turn, the amount of liquidation value available to unsecured creditors would be reduced by the claims of secured creditors to the extent of the value of their collateral, and, second, by the costs and expenses of liquidation as well as by other administrative expenses and costs of both the Chapter 7 case and the Chapter 11 case.

As a general matter, liquidation under Chapter 7 will not affect the rights of certain sureties who posted bonds that the Debtor purchased for various business litigation and other reasons. As mentioned, cost of liquidation under Chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the Debtor in its bankruptcy case (such as compensation of attorneys, financial advisors and accountants) that are allowed in the Chapter 7 case, the litigation costs, and claims arising from the operations of the Debtor during the pendency of the bankruptcy case. The liquidation itself would trigger certain priority payments which otherwise would be due in the ordinary course of business. These priority claims would be paid in full from the liquidation proceeds before the balance would be made to pay the general unsecured claims or to make any distribution in respect to equity interests. Liquidation also would prompt the rejection of executory contracts and unexpired leases in connection with the cessation of operations and thereby creating a significantly higher number of unsecured claims.

Once the Court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to unsecured creditors and equity security holders from their remaining available proceeds in liquidation. If such

probable distribution in liquidation has a higher value than the distributions to be received by such creditors and equity security holders under a debtor's Plan, then such plan of reorganization is not in the best interest of creditors and equity security holders.

A Liquidation Analysis is prepared which is premised upon a hypothetical liquidation in a Chapter 7 case and is attached hereto as **Exhibit B**. Based on this analysis, it is likely that a Chapter 7 liquidation of the Debtor's assets would produce less value for distribution to creditors than that recoverable in each instance under the Plan. Mr. Pilant believes that any Liquidation Analysis is speculative. For example, the Liquidation Analysis necessarily contains an estimate amount of claims which ultimately will become allowed claims. In preparing the Liquidation Analysis, Mr. Pilant has projected the amount of claims based upon a review of their scheduled and filed proofs of claim. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of claims at the projected amount of claims set forth in the Liquidation Analysis. In preparing the Liquidation Analysis, a projected range for the amount of the allowed claims with the low end of the range the lowest reasonable amount of claims and the high end of the range the highest reasonable amount of the claims, thus allowing assessment of the most likely range of Chapter 7 liquidation dividends to the holders of allowed claims. The estimate of the amount of allowed claims as set forth in the Liquidation Analysis should not be relied upon for any other purpose, including without limitation, any determination of the value of any distribution to be made on account of allowed claims and interests under the Plan. In addition, as noted above, the Liquidation Analysis contains numerous estimates and assumptions.

VI. MISCELLANEOUS PROVISIONS

A. Avoidance Actions

Pursuant to Bankruptcy Code §§ 547 and 550, transfers made to or for the benefit of a creditor for or on account of an antecedent debt on or within ninety (90) days before the petition date (or within one year of the petition date in the case of an insider of the Debtor) may be avoided as preferential transfers and recovered by the Debtor subject to certain defenses available to such creditor (or insider) under the Bankruptcy Code. Additionally, the fixing of a lien against property of the Debtor may constitute a transfer

of an interest in property and the fixing of such lien on account of an antecedent debt within the applicable preference period may be avoided.

The following avoidable transfers exist:

<u>Avoidable Transfers</u>
Interest paid to unsecured debt

Richard Tripeer	25,554.79
Peaches G. Blank	12,465.75

In addition, we paid BLN a Total $87,949.57 post Chapter 11 at a 12.68% interest rate (which is multiplier Lindy was using) we would only owe them $32,497 from Dec 09 thru Dec 2010 overpayment of $55,453. This does not take in account interest due in 2011.

B. Jurisdiction

Except as otherwise provided in the Plan and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Case and the Plan to the fullest extent permitted by law.

C. United States Trustee Fees

All fees payable pursuant to 28 U.S.C. § 1930(a)(6) will be paid on the Effective Date by the Debtor. Any such fees accruing after the Effective Date but prior to the closing of the Chapter 11 Cases will be paid by the Reorganized Debtor. The Reorganized Debtor will also be responsible for filing quarterly financial reports required to be filed by the Office of the United States Trustee, until such time as the terms of the Plan have been fully implemented.

D. Title

Upon occurrence of the Effective Date, all property of the Debtor shall be free and clear of all claims and interest of Creditors and equity security holders except as set forth herein.

E. Confirmation Injunctions

Except as otherwise provided herein, pursuant to Sections 105 and 1141 of the Bankruptcy Code, all holders of all claims are permanently stayed and enjoined from commencing or continuing any acts, actions or proceedings, whether directly or

indirectly, to collect such claim from or enforce such claim against any employee or agent of the Debtor so long as Debtor fulfills its obligations under this Plan.

E. Governing Law

This Plan shall be governed by and construed and enforced in accordance with the laws of the State of Tennessee.

VII. DISCLAIMER

This Disclosure Statement and any statements of income, expenses, assets, liabilities or valuation of property contained herein or elsewhere in documents filed with the Court in this matter, are based upon the books, records and information available to Mr. Pilant. The undersigned counsel do not represent that we have independently examined the financial records of the Debtor.

A copy of the Plan accompanies this Disclosure Statement and is incorporated herein by reference for disclosure purposes. All provisions herein describing the concept of the Plan throughout the Disclosure Statement are subject to any modifications or amendments to the present Plan.

Creditors are urged to read the Disclosure Statement and Plan in full. Creditors are further urged to consult with counsel, or each other, in order to fully understand the Plan and the exhibits attached to it. The Plan is complex in as much as it represents a proposed legally binding agreement by the Debtor, and an intelligent judgment concerning such Plan cannot be made without understanding it.

Mr. Pilant believes that the Plan provides the best recoveries possible for holders of claims against and interests in the debtor. He strongly recommends that you vote to accept the Plan.

/s/ Greg P. Pilant
Greg P. Pilant
Chairman and CEO
Greystone Pharmaceuticals, Inc.
16261 Bass Rd. Suite 202
Fort Myers, FL 33908
239-432-2780 office
239-432-2782 fax
901-289-8617 cell

CERTIFICATE OF SERVICE

This is to certify that I have served a copy of this pleading via the Court's ECF Notification system or U.S. Mail, postage prepaid, on April 21, 2011, upon: Karen P. Dennis, Esq. Office of the U.S. Trustee 200 Jefferson Avenue, Suite 400 Memphis, TN 38103	Lauren Lamberth Office of the Attorney General P. O. Box 20207 Nashville, TN 37202
David J. Cocke Attorney for Unsecured Creditor's Committee EVANS PETREE PC 1000 Ridgeway Loop Road Suite 200 Memphis, Tennessee 38120	John L. Ryder, Esq. Attorney for Debtor Harris Shelton Hanover Walsh PLLC One Commerce Square, Suite 2700 Memphis, TN 38103
All parties requesting notice	

/s/ Greg P. Pilant
Greg P. Pilant

662583.1