

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	Chapter 11
)	
MFMD DELAWARE, INC.,)	Case No. 13-11359 (PJW)
MFMD INDUSTRIES, INC.,¹)	Case No. 13-11360 (PJW)
)	
)	Jointly Administered
Debtors.)	
)	

**AMENDED DISCLOSURE STATEMENT FOR AMENDED PLAN OF
MFMD DELAWARE, INC. AND MFMD INDUSTRIES, INC.**

Dated March 3, 2014

Filed by:

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Debtors and Debtors In Possession**

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¹ The last four digits of the taxpayer identification numbers of the Debtors follow in parentheses: (i) MFMD Delaware, Inc. (3784); and (ii) MFMD Industries, Inc. (6720).

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DISCLAIMER

THIS AMENDED DISCLOSURE STATEMENT UNDER SECTION 1125 OF TITLE 11 OF THE UNITED STATES CODE WITH RESPECT TO THE DEBTORS' AMENDED CHAPTER 11 PLAN CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE DEBTORS' AMENDED PLAN, AS THE SAME MAY BE FURTHER AMENDED FROM TIME TO TIME, AND OTHER DOCUMENTS RELATING TO THE PLAN. WHILE THE DEBTORS BELIEVE THAT THESE SUMMARIES PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS. IF ANY INCONSISTENCIES EXIST BETWEEN THE TERMS AND PROVISIONS OF THIS AMENDED DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR OTHER DOCUMENTS DESCRIBED THEREIN, THE TERMS AND PROVISIONS OF THE PLAN OR OTHER DOCUMENTS ARE CONTROLLING. EACH HOLDER OF AN IMPAIRED CLAIM SHOULD REVIEW THE ENTIRE PLAN AND ALL RELATED DOCUMENTS AND SEEK THE ADVICE OF ITS OWN COUNSEL BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THIS AMENDED DISCLOSURE STATEMENT HAS BEEN APPROVED BY ORDER OF THE BANKRUPTCY COURT AS CONTAINING INFORMATION OF A KIND, AND IN SUFFICIENT DETAIL, TO ENABLE HOLDERS OF CLAIMS AND INTERESTS TO MAKE AN INFORMED JUDGMENT IN VOTING TO ACCEPT OR REJECT THE PLAN.

THE STATEMENTS AND FINANCIAL INFORMATION CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS AMENDED DISCLOSURE STATEMENT SHOULD NOT ASSUME AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN, UNLESS SO SPECIFIED. ALTHOUGH THE DEBTORS HAVE MADE AN EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES COULD REASONABLY BE EXPECTED TO AFFECT MATERIALLY THE RECOVERY UNDER THE PLAN, THIS AMENDED DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT CERTAIN EVENTS DO OCCUR.

THIS AMENDED DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NON-BANKRUPTCY LAW. PERSONS OR ENTITIES HOLDING OR TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS AGAINST OR INTERESTS IN THE DEBTORS SHOULD EVALUATE THIS AMENDED DISCLOSURE STATEMENT IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.

IN ACCORDANCE WITH THE BANKRUPTCY CODE, THIS AMENDED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE SEC PASSED

**UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED
HEREIN.**

I.

INTRODUCTION

A. OVERVIEW

MFM Delaware, Inc. (“MFM Delaware”) and MFM Industries, Inc. (“Industries”), debtors and debtors in possession in the above-captioned cases (each a “Debtor” and together, the “Debtors”), hereby submit this Amended Disclosure Statement (“Disclosure Statement”) pursuant to section 1125(b) of the Bankruptcy Code and rule 3017 of the Federal Rules of Bankruptcy Procedure, in connection with the Amended Plan of MFM Delaware, Inc. and MFM Industries, Inc. (the “Plan”) filed by the Debtors dated March 3, 2014. A copy of the Plan is attached hereto as Exhibit A. All capitalized terms used but not defined in this Disclosure Statement shall have the respective meanings ascribed to such terms in the Plan, unless otherwise noted. The purpose of this Disclosure Statement is to enable you, as a creditor whose Claim is Impaired under the Plan to make an informed decision in exercising your right to accept or reject the Plan.

By order dated March _____, 2014 (the “Disclosure Statement Approval Order”), the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) has found that this Disclosure Statement provides adequate information to enable Holders of Claims that are impaired under the Plan to make an informed judgment in exercising their right to vote for acceptance or rejection of the Plan.

B. SUMMARY OF THE PLAN

The Plan does not provide for the substantive consolidation of the Debtors’ Estates. Rather, the Plan provides for a Distribution to Industries’ creditors from Industries’ assets and, to the extent any of Industries’ Assets are distributed to MFM Delaware on account of MFM Delaware’s interests in Industries, such funds will be distributed to MFM Delaware’s creditors in a like manner. The Plan also provides for a reduced distribution for Related Parties holding claims against the Debtors. In addition, the Plan contemplates that MFM Delaware may utilize a Net Operating Loss (“NOL”) to the extent feasible and, in such event, MFM Delaware creditors shall convert their claims to equity.

Related Parties are officers, directors, shareholders of the Debtors, or affiliates of the foregoing. The Plan provides for a compromise of their claims even though there may be no basis for a reduction, in order to minimize litigation over the issue. The Related Party claims are loans, evidenced by notes signed by the Debtors. If this compromise was not in the Plan, the Related Party claims would need to be fully reserved for, Retained Proceeds would go up dramatically to reserve for litigation expenses, and there would be further holdbacks for potential indemnification claims, all of which would significantly reduce the Initial Distribution to General Unsecured Creditors. Moreover, most of the Related Parties have claims against MFM

Delaware and there would be additional litigation as to the provision in the Plan which eliminates Intercompany Claims, that arguably are owed by Industries to MFM Delaware.

In addition, the NOL may not exist but, if it does, it should be in the range of \$10 million. Since MFM Delaware was the taxpayer, and the Intercompany Claims in favor of MFM Delaware are being eliminated, and MFM Delaware creditors may not otherwise get a distribution, this result of giving the NOL to MFM Delaware is a fair compromise. Any litigation over the issue, or different allocation of the NOL among the creditors, would clearly eliminate whatever benefit may be attributable to the NOL.

The Debtors believe that the Plan represents the best opportunity to distribute Industries' assets to its creditors and the creditors of MFM Delaware at the earliest possible date. The Debtors anticipate that Industries' creditors will receive a cash distribution and that MFM Delaware's creditors may, under certain circumstances, receive a distribution. **FOR THESE REASONS THE DEBTORS URGE YOU TO RETURN YOUR BALLOT "ACCEPTING" THE PLAN.**

The Plan classifies all Claims against and Interests in the Debtors into nine (9) separate Classes. The Plan generally provides for Industries' unsecured creditors (who are not Related Parties) to receive Pro Rata Distributions of any Distribution Proceeds that remain in Industries' Estate after the payment and satisfaction of all Allowed Administrative Expense Claims, Allowed Tax Claims, Allowed Secured Claims in Class 1(b) and Priority Claims in Class 2, and Unsecured Claims against Industries held by Related Parties in Class 4(a). The percentage recovery that Holders of Class 3(a) Unsecured Claims against Industries will ultimately receive for their Claims depends on a number of factors, including, among other things, (a) a final resolution of the claims asserted against Industries, (b) the amounts (if any) realized from the future sales of Industries' remaining Assets, and (c) the amount realized, if any, from the Debtors' prosecution of Causes of Action.

Each Holder of unsecured claims against MFM Delaware that is not a Class 4(b) Related Party creditor (Class 3(b) under the Plan) shall, on each Distribution Date, receive a Pro Rata Distribution of any Distribution Proceeds that remain after the payment and satisfaction of all Allowed Administrative Expense Claims, Allowed Tax Claims, Allowed Secured Claims in Classes 1(a) and 1(b), Allowed Priority Claims in Class 2, Allowed Unsecured Claims by Related Parties in Classes 4(a) and 4(b), and Allowed Class 3(a) Unsecured Claims against Industries (with interest).

Unsecured Claims against Industries held by Related Parties (Class 4(a) Claims) shall receive ninety (90) per cent of what their distributions would otherwise have been if their claims would have been Class 3(a) Unsecured Claims. The calculation of the Class 4(a) Distribution shall be made simultaneously with the Class 3(a) Distribution, and Distributions to both Classes will be made at the same time.

Unsecured Claims against MFM Delaware held by Related Parties (Class 4(b) Claims) shall receive ninety (90) per cent of what their distributions would otherwise have been if their claims would have been Class 3(b) Unsecured Claims. The calculation of the Class 4(b) Distribution shall be made simultaneously with the Class 3(b) Distribution, and Distributions to

both Classes will be made at the same time. In addition to receiving their distribution under the Plan, creditors holding Allowed Class 3(b) and 4(b) Unsecured Claims against MFM Delaware will be required to take such additional actions as may be requested by MFM Delaware, including, if necessary, converting the balance of their claims to a portion of the equity of MFM Delaware (after applying all Distribution Proceeds and Retained Proceeds payable to such creditor under the Plan). The conversion of MFM Delaware claims to equity will be done on a pro rata basis based on the Allowed claims held by creditors against MFM Delaware (except Related Party claims shall be calculated at 90% of the Allowed amount of such claims). The equity to be shared by MFM Delaware creditors (Class 3(b) and 4(b)) will be 35% of the overall equity in MFM Delaware; the intent being to ensure utilization of the NOL (to the extent feasible). In exchange for the concession and other compromises contained in the Plan and these Bankruptcy Cases, the Debtors will release the Related Parties of all claims and causes of action that they had or have, if any, and the Related Parties' Unsecured Claims will be Allowed in the amounts set forth on Exhibit 1 to the Plan. As noted, the Related Parties will receive a dividend distribution equal to ninety (90) per cent of what their distributions would otherwise have been if their claims would have been Allowed Unsecured Claims (non-Related Party). The holders of Interests in Industries and Delaware shall retain their Interests and are thus unimpaired by the Plan.

A brief summary of the Classes, the treatment of each Class, and the voting rights of each Class is set forth in the table below. A complete description of the treatment of each Class is set forth in Article III of the Plan and Section V of this Disclosure Statement. Parties should refer to those sections for a complete description of the proposed treatment for each Class.

<u>Class</u>	<u>Description</u>	<u>Estimated Aggregate Allowed Amount</u>	<u>Class Treatment</u>	<u>Class Status</u>	<u>Class Voting Rights</u>	<u>Projected Distribution</u>
1(a)	Secured Claims against MFM Delaware	\$0	To the extent any such Claims exist, paid with the proceeds of the sale or disposition of the collateral securing Claim(s) or return of collateral.	Unimpaired	Deemed to accept Plan; not entitled to vote	100%
1(b)	Secured Claims against Industries	\$7,138	Paid with the proceeds of the sale or disposition of the collateral securing Claim(s) or return of collateral.	Unimpaired	Deemed to accept Plan; not entitled to vote	100%
2	Priority Claims	\$21,581	Paid in full in Cash.	Unimpaired	Deemed to accept Plan; not entitled to vote	100%
3(a)	Unsecured Claims against Industries	Approximately \$4,525,000 (low range) to \$4,750,000 (high range)	Shall receive Pro Rata Distributions of the Distribution Proceeds and/ or Retained Proceeds that remain in the Industries Estate after the payment and satisfaction of Allowed Administrative Expense Claims, Allowed Tax Claims, and Allowed Secured Claims in Class 1(b) and Allowed Claims in Class 2 and Class 4(a). To the extent Distribution Proceeds and/or Retained Proceeds remain available, each Holder of an Allowed Class 3(a) General Unsecured Claim shall be entitled to receive interest as provided in the Plan.	Impaired	Entitled to vote	45% (Low range) to 70% (High Range)
3(b)	Unsecured Claims against MFM Delaware	Estimated to be approximately \$250,000	Shall receive a Pro Rata Distribution of any Distribution Proceeds and/or Retained Proceeds, as appropriate, that remain in the Debtors' Estates after the payment and satisfaction of Allowed Administrative Expense Claims and Allowed Tax Claims and all amounts owed to Allowed Claims in Class 1(a), Class 1(b), and Allowed Claims in Class 2, Class 3(a), and Classes 4(a) and (b). In addition, a portion of the equity of MFM Delaware to the extent there is an NOL worth utilizing.	Impaired	Entitled to vote	0-2%
4(a)	Unsecured Claims against Industries held by Related Parties	\$1,297,511	Allowed Unsecured Claims against Industries by Related Parties will be paid 90% of what their distribution would have been if they were in Class 3(a).	Impaired	Entitled to vote	40% (Low Range) to 63% (High Range)

<u>Class</u>	<u>Description</u>	<u>Estimated Aggregate Allowed Amount</u>	<u>Class Treatment</u>	<u>Class Status</u>	<u>Class Voting Rights</u>	<u>Projected Distribution</u>
4(b)	Allowed Unsecured Claims against MFM Delaware by Related Parties	\$3,808,395	Allowed Unsecured Claims against MFM Delaware by Related Parties will be paid 90% of what their distribution would have been if they were in Class 3(b). In addition, a portion of the equity of MFM Delaware to the extent there is an NOL worth utilizing.	Impaired	Entitled to vote	0-2%
5	Interests in Industries		Shall retain their Interests.	Unimpaired	Not Entitled to vote	
6	Interests in MFM Delaware		Shall retain their Interests.	Unimpaired	Not Entitled to vote	

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Tax Claims against the Debtors are not classified for purposes of voting on, or receiving Distributions under, the Plan. Holders of such Claims are not entitled to vote on the Plan. All such Claims are instead treated separately in accordance with Article IV of the Plan and in accordance with the requirements set forth in sections 1129(a)(9)(A) and (C) of the Bankruptcy Code. A more complete description of the treatment of Administrative Expense Claims and Tax Claims is set forth in Article IV of the Plan and Section V.B of this Disclosure Statement.

C. VOTING AND CONFIRMATION PROCEDURES

Accompanying this Disclosure Statement are copies of the following documents: (1) the Plan, which is annexed to this Disclosure Statement as **Exhibit A**; (2) a Notice to Voting Classes; and (3) a Ballot to be executed by Holders of Claims in Classes 3(a), 3(b), 4(a) and 4(b) to accept or reject the Plan.

This Disclosure Statement, the form of Ballot, and the related materials delivered together herewith (collectively, the “Solicitation Package”), are being furnished to Holders of Claims in Classes 3(a), 3(b), 4(a) and 4(b) for the purpose of soliciting votes on the Plan.

If you did not receive a Ballot in your Solicitation Package, and believe that you should have received a Ballot, please contact counsel for the Debtors, King & Spalding LLP, 1180 Peachtree Street, N.E., Atlanta, GA 30309, or by telephone at (404) 572-4600.

1. Who May Vote

Pursuant to the provisions of the Bankruptcy Code, only classes of Claims or Interests that are “impaired” and that are not deemed as a matter of law to have rejected a plan of reorganization under section 1126(g) of the Bankruptcy Code are entitled to vote to accept or reject the Plan. Any class that is “unimpaired” is not entitled to vote to accept or reject a plan of reorganization and is conclusively presumed to have accepted the Plan. Any class that will not

receive or retain any property under a plan is deemed to reject a plan, and, therefore, is not entitled to vote to accept or to reject the plan. As set forth in section 1124 of the Bankruptcy Code, a class is "impaired" if legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified or altered. For purposes of the Plan only, Holders of Claims in Classes 3(a), 3(b), 4(a) and 4(b) are Impaired and entitled to vote on the Plan.

A Claim must be "allowed" for purposes of voting in order for such creditor to have the right to vote. Generally, for voting purposes a Claim is deemed "allowed" absent an objection to the Claim if (i) a proof of claim was timely filed, or (ii) if no proof of claim was filed, the Claim is identified in the Debtors' Schedules as other than "disputed," "contingent," or "unliquidated," and an amount of the Claim is specified in the Schedules, in which case the Claim will be deemed allowed for the specified amount for purposes of voting on the Plan. In either case, when an objection to a Claim is filed, the creditor holding the Claim cannot vote unless the Bankruptcy Court, after notice and hearing, either overrules the objection or allows the Claim for voting purposes. Accordingly, if you did not receive a Ballot and believe that you are entitled to vote on the Plan, you must file a Motion pursuant to Federal Bankruptcy Rule 3018 with the Bankruptcy Court for the temporary allowance of your Claim for voting purposes by the later of: (a) March 21, 2014, or (b) 5:00 p.m. (Eastern time) on the seventh (7th) day after the date of service of an objection, if any, to your Claim, or you will not be entitled to vote to accept or reject the Plan.

THE DEBTORS IN ALL EVENTS RESERVE THE RIGHT THROUGH THE CLAIM RECONCILIATION PROCESS TO OBJECT TO OR SEEK TO DISALLOW ANY CLAIM FOR DISTRIBUTION PURPOSES UNDER THE PLAN.

2. Voting Instructions and Voting Deadline

All votes to accept or reject the Plan must be cast by using the Ballot enclosed with this Disclosure Statement. No votes other than ones using such Ballots will be counted, except to the extent the Bankruptcy Court orders otherwise. The Bankruptcy Court has fixed March 5, 2014 as the date (the "Voting Record Date") for the determination of the Holders of Claims who are entitled to vote to accept or reject the Plan. Ballots should be sent to:

The Rosner Law Group LLC
824 Market Street
Suite 810
Wilmington, DE 19801
Attn: Scott Leonhardt

BALLOTS MUST BE COMPLETED AND RECEIVED NO LATER THAN 4:00 P.M., LOCAL TIME IN DELAWARE, ON APRIL 10, 2014 (THE "VOTING DEADLINE"). ANY BALLOT THAT IS NOT EXECUTED BY A DULY AUTHORIZED PERSON SHALL NOT BE COUNTED. ANY BALLOT THAT IS EXECUTED BY THE HOLDER OF AN ALLOWED CLAIM BUT THAT DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DEEMED TO BE AN ACCEPTANCE. ANY BALLOT THAT IS FAXED SHALL NOT BE COUNTED IN THE

VOTING TO ACCEPT OR REJECT THE PLAN, UNLESS THAT BALLOT IS ACCEPTED IN THE DEBTORS' DISCRETION.

3. Whom to Contact for More Information

If you have any questions about the procedure for voting your Claim or the packet of materials you received, please contact the Debtors' Counsel at the address indicated above or by telephone at (212) 556-2100. If you wish to obtain additional copies of the Plan, this Disclosure Statement, or the exhibits to those documents, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), please contact King & Spalding LLP, 1180 Peachtree Street NE, Atlanta, Georgia, 30309, Attn: Missy Heinz; or by facsimile at (404) 572-5131, Attn: Missy Heinz; or by electronic mail at mheinz@kslaw.com.

4. Acceptance or Rejection of the Plan

The Bankruptcy Code defines "acceptance" of a plan by a class of Claims as acceptance by Holders of at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims in that class that cast ballots for acceptance or rejection of the plan. The Bankruptcy Code defines "acceptance" of a plan by a class of interests as acceptance by Holders of at least two-thirds in amount of the Allowed Interests in that class that cast ballots for acceptance or rejection of the plan. Assuming that at least one Impaired Class votes to accept the Plan, the Debtors will seek, if necessary, to confirm the Plan under section 1129(b) of the Bankruptcy Code, which permits the confirmation of a plan notwithstanding the non-acceptance by one or more Impaired Classes of Claims or Interests. Under section 1129(b) of the Bankruptcy Code, a plan may be confirmed if the Bankruptcy Court determines that the plan does not discriminate unfairly and is "fair and equitable" with respect to the non-accepting classes. A more detailed discussion of these requirements is provided in Sections XII and XIII of this Disclosure Statement.

5. Time and Place of the Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan.

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled the Confirmation Hearing to commence on April 30, 2014 at 2:00 p.m. local time in Wilmington, Delaware, before the Honorable Peter J. Walsh of the United States Bankruptcy Court for the District of Delaware, **Courtroom No. 2, 824 Market Street, 6th Floor, Wilmington, Delaware 19801**. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of such adjourned hearing date by the Bankruptcy Court in open court at such hearing.

6. Objections to the Plan

Any objection to confirmation of the Plan must be in writing; must comply with the Bankruptcy Code and the Bankruptcy Rules; and must be filed with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington,

Delaware 19801, and served upon the following parties, so as to be received no later than April 10, 2014 at 4:00 p.m. (Eastern Standard Time): (a) Arthur J. Steinberg, King & Spalding LLP, 1185 Avenue of the Americas, New York, NY 10036-4003 (counsel for the Debtors); (b) Office of the United States Trustee, Mark Kenney, 844 King Street, Suite 2207, Wilmington, DE 19801; and (c) Michael J. Barrie, Benesch Friedlander Coplan & Aronoff LLP, 222 Delaware Ave., Suite 801, Wilmington, DE 19801 (counsel for the Committee).

II.

HISTORY OF THE DEBTORS AND EVENTS LEADING TO THE CHAPTER 11 FILING

A. FORMATION, BUSINESS, DEBT STRUCTURE, AND OTHER PRE-PETITION OBLIGATIONS OF THE DEBTORS

1. Formation and History of the Debtors

The company that would later become MFM Industries, Inc (a Florida corporation) was originally founded in 1964 as Mid-Florida Mining Company (“Mid-Florida Mining”) by Allen C. Edgar (“Edgar”), a Florida geologist, and primarily engaged in supplying clay-based absorbents to the agricultural and industrial markets. During the 1970’s, Whitfield M. Palmer, Jr. and his sister, Margaret Palmer Ayers, joined Edgar in ownership of Mid-Florida Mining. During this period, management shifted its focus to the cat litter market, and Mid-Florida Mining became a regional supplier of cat litter in the eastern United States. In 1981, Whitfield M. Palmer, Jr. assumed majority control of Mid-Florida Mining by purchasing the holdings of the major shareholders and became the Chairman and Chief Executive Officer.

In 1997, through MFM Delaware and Industries, Direct Capital Partners, LLC (“DCP”), Argosy Capital Partners (“Argosy”), and members of Mid-Florida Mining’s management team acquired Mid-Florida Mining’s assets. From that time, Industries has continued to manufacture and sell cat litter products and, in 2010, expanded its customer base to begin selling its products to the national market. As of the Filing Date, DCP owned the majority of the shares of MFM Delaware, which owned 100% of the shares of Industries.

2. Debtors’ Business Operations

On the Filing Date, Industries’ business activities were conducted solely within the cat litter industry. Industries produced and sold over 100,000 tons of cat litter per year. While this amount represented less than 1% of the total cat litter market share, Industries’ sale of private label cat litter represented approximately 20% of the total private-label market.

Industries supplied its clay from its leased clay mine located at 15249 N. Hwy 329, Ocala, Florida (the “Palmer Mine”). Once the clay was extracted from the Palmer Mine, it was transported approximately five miles away to Industries’ manufacturing plant located at 3951 W. Hwy 329 in Reddick, Florida (the “Reddick Plant”). At the Reddick Plant, Industries’ Employees (as defined below) began the cat litter production process by crushing the clay and drying it, where it was then stored in storage tanks until it was ready to be blended with sodium

bentonite and scenting properties. After the blending process, the blend was sent to a packaging facility located next to the Reddick Plant (the "Packaging Facility"). At the Packaging Facility, Employees bagged, boxed, or put the cat litter into jugs (depending upon the customer). The cat litter was then stored on pallets to await collection or delivery to the customer.

The primary raw materials used by Industries were sodium bentonite and natural gas. Sodium bentonite is blended with the clay extracted by Industries at its leased mine to produce scoopable, hard-clumping cat litter products with odor control properties. Industries also utilized natural gas in the mining of the clay used in its cat litter products. Sodium bentonite and natural gas were subject to price fluctuations, which in turn had an effect on margins.

During the Bankruptcy Cases, the Debtors marketed and sold substantially all of Industries' Assets. A more detailed discussion of the sale of Industries Assets is provided in Section IV.E of this Disclosure Statement. As of the date of this Disclosure Statement, Industries continues to own the Reddick Plant and the Packaging Facility.

3. Pre-Petition Lending to the Debtors

Prior to the Filing Date, the Debtors used two primary sources of financing: (a) a receivables factoring facility with Bibby Financial Services (Midwest), Inc. ("BFS"), which was secured by substantially all of the assets of Industries (the "Receivables Sale Agreement"); and (b) a revolving credit facility with Crossroads Financial, LLC ("Crossroads") secured by substantially all of the assets of Industries and MFM Delaware (the "Loan Agreement").

Pursuant to the Receivables Sale Agreement, BFS purchased certain accounts receivable from Industries and advanced, upon purchase, a stated percentage of the face value of each account receivable. The Total Maximum Facility was \$3,000,000 of Net Funds Employed (as those terms are defined in the Receivables Sale Agreement). Industries' obligations under the Receivables Sale Agreement were guaranteed by MFM Delaware. In addition to asserting a right to payment on all Accounts (as that term is defined in the Receivables Sale Agreement) BFS asserted a security interest in substantially all of Industries' personal property. As of the Filing Date, the outstanding Advances to Industries was approximately \$781,901. After the Filing Date, with Bankruptcy Court approval, the Debtors ratified the Receivable Sales Agreement, as modified.

Pursuant to the Loan Agreement, Crossroads had made available a credit facility with a Maximum Amount of \$500,000. As of the Filing Date, the total principal amount outstanding under the Loan Agreement was approximately \$175,375. Industries' obligations under the Loan Agreement were guaranteed by MFM Delaware. The pre-petition amounts owed under the Loan Agreement were secured by a lien on substantially all of Industries' personal property and substantially all of MFM Delaware's personal property. After the Filing Date, with Bankruptcy Court approval, the Debtors ratified the Loan Agreement, as modified.

In addition to BFS and Crossroads, Palmer was a purported secured creditor of Industries on the Filing Date. In April 1997, MFM Delaware issued two promissory notes in the aggregate face amount of \$5,318,105 (the "Delaware Notes"). Industries executed a non-recourse guarantee of the Delaware Notes. The non-recourse guarantee was limited in amount to the

value of the collateral given to support the non-recourse guarantee. The collateral given to Palmer at that time was (a) a mortgage on the Reddick Plant (with a maximum value of \$1.5 million), and (b) a security interest in a portion of Industries' equipment. In August 2012, Palmer released its lien on substantially all of Industries' equipment.

Pursuant to that certain Agreement dated as of March 31, 2012, by and among Industries, MFM Delaware, and Palmer, the Delaware Notes were consolidated into one promissory note in the principal amount of \$5,238,429.27 (the "2012 Delaware Note"). As of the Filing Date, the outstanding principal balance of the 2012 Delaware Note was \$4,982,987.33. At some point after the 2012 Delaware Note was issued, Industries removed the non-recourse nature of its guarantee of the Delaware Notes and granted additional collateral to Palmer.

Prior to and after the Filing Date, Industries and Palmer were also party to that certain Land Lease and Mineral Mining Agreement, dated April 30, 1997 (the "Clay Lease"). The Clay Lease was terminated in October 2011. Notwithstanding, Industries continued to mine clay at the Palmer Mine. In March 2012, Industries and Palmer entered into new arrangement. Under that new arrangement, Palmer asserted a claim arising from the rejection of the Clay Lease, which includes a claim for reclamation (the "Rejection Claim"). The Rejection Claim, which Palmer asserted is secured by its alleged lien on substantially all of Industries' personal property totals \$3,254,173.99. The Debtors disagreed with many of the contentions made by Palmer and ultimately, the Debtors and Palmer agreed to a mediation wherein their disputes were settled ("Palmer Settlement"). The Palmer Settlement is subject to the approval of the Bankruptcy Court. Under the Palmer Settlement, Industries will pay to Palmer \$3,995,000 in full satisfaction of all claims and liens held by Palmer against the Debtors. The Plan and Disclosure Statement anticipate that the Palmer Settlement will be approved and funded before confirmation of the Plan. See Section IV.H for a further discussion of the Palmer Settlement.

B. EVENTS LEADING TO, AND CIRCUMSTANCES SURROUNDING, THE CHAPTER 11 FILING

Several recent factors led to the commencement of these chapter 11 cases. By way of background, on August 29, 2011, General Electric Capital Corporation ("GECC") filed a Complaint against the Debtors in the Circuit Court of the Fifth Judicial Circuit for Marion County, Florida (Case No. 11-2485-CA-G), seeking among other things, stipulated contractual damages (the "GECC Complaint") allegedly arising from the default of a 2009 equipment lease agreement executed by MFM Limestone LLC ("MFM Limestone") which was purportedly guaranteed by the Debtors. The GECC Complaint alleges an indebtedness of approximately \$1.97 million. The action remained pending on the Filing Date, and GECC has filed an unsecured claim against MFM Delaware in the amount of \$2,116,637.62. GECC does not appear to have filed a claim against Industries. As described in Section IV.J., the Debtors have entered into a settlement agreement with GECC ("GECC Settlement").

Also on February 16, 2012, GSX Inc. (d/b/a Great Southern Construction Equipment Company) ("GSX") filed a lawsuit against Industries and MFM Limestone (the "GSX Complaint") in the Circuit Court of the Fifth Judicial Circuit in and for Marion County, Florida (Case No. 12-0722-CA-G). In the GSX Complaint, GSX sought, among other things, to pierce

the corporate veil and obtain a judgment of \$260,000, plus costs, from Industries for amounts owed to GSX by MFM Limestone. As of the Filing Date, the GSX action remained pending. GSX has filed an unsecured claim in the amount of \$230,057.31 against Industries. The Debtors have objected to this claim on the basis MFM Limestone, and not Industries, is liable for the amount sought in the proof of claim.

Aside from these law suits, the main impetus for the Debtors bankruptcy filing related to the following two matters. First, on May 2, 2013, in a lawsuit against Industries and others in the Circuit Court of the Fifth Judicial Circuit in and for Marion County, Florida (Case No. 11-3105-CA-G) regarding the default of a lease for equipment used by MFM Limestone, Terex Financial Services, Inc. ("Terex") obtained a judgment in the amount of \$809,539.74 against Industries. On May 23, 2013, Terex filed restraining notices against Industries, freezing its operating bank account, resulting in an immediate liquidity crisis for Industries and effectively cutting off the cash flow necessary to run its business. This action also created major concerns with BFS and Crossroads, which were financing Industries' operations. As described in Section IV.I, the Debtors have entered into a settlement agreement with Terex ("Terex Settlement").

Second, on May 20, 2013, Palmer sent the Debtors a letter notifying the Debtors that Palmer purportedly accelerated all amounts due under the 2012 Delaware Note and indicated that, pursuant to a pledge agreement executed by MFM Delaware, Palmer was purportedly exercising its rights to become vested with voting rights appurtenant to the pledged shares of Industries.

During this time, the Debtors were in the midst of a marketing process for the sale of substantially all of Industries' assets and had received serious expressions of interest from potential outside purchasers. The Debtors believed that, in light of the actions taken by Terex and Palmer, the concerns expressed by its lenders, and the promising possibility for concluding a sale, a chapter 11 filing was necessary to preserve the going concern value of the business and to maximize the sale thereof for the benefit of all stakeholders.

III.

CORPORATE GOVERNANCE OF THE DEBTORS DURING THE CHAPTER 11 CASES

A. BOARDS OF DIRECTORS

As of the Filing Date, the board of directors of MFM Delaware had two members: Hugh Levey and James Schneider, and the board of directors of Industries had three members: Matthew Crane, Hugh Levey, and James Schneider. The MFM Delaware and Industries' board of directors met regularly during the pendency of the Bankruptcy Cases to discuss and evaluate the Debtors' financial performance, to consider and assess the Debtors' strategic alternatives, to assess and determine how to maximize the value of the Debtors' Assets for the benefit of their stakeholders, to monitor and provide input regarding the sale of the Debtors' Assets, and to otherwise keep themselves informed regarding the Debtors' business and liquidity position and developments in the Bankruptcy Cases.

B. MANAGEMENT

Matthew Crane served as President and CEO from the Filing Date through the Closing Date and continues to serve in that capacity. On the Closing Date, the majority of the Debtors' employees were terminated by the Debtors and are no longer on the Debtors' payroll.

IV.

SIGNIFICANT DEVELOPMENTS IN THE CHAPTER 11 CASES

A. "FIRST DAY" ORDERS AND RETENTION OF PROFESSIONALS

On the Filing Date, the Debtors filed "first day" motions and applications with the Bankruptcy Court seeking certain relief to aid in the efficient administration of the Bankruptcy Cases and to facilitate the Debtors' transition to debtor-in-possession status. The Court held a hearing on the Debtors' "first day" motions and applications on May 29, 2013. Among other things, the Bankruptcy Court authorized payment of certain prepetition employee salaries, wages, payroll taxes, and benefits and reimbursement of prepetition employee business expenses; and authorized the Debtors to honor certain prepetition obligations to and continue prepetition practices with shippers and warehousemen. The Debtors also obtained interim approval to enter into ratification agreements regarding the Receivable Sales Agreement and the Loan Agreement (the "Ratification Agreements"). Pursuant to the Bankruptcy Court's professional retention orders that were entered following the "first day" hearing, King & Spalding LLP and The Rosner Law Group LLC were retained as co-counsel to the Debtors, and Pharus Securities, LLC ("Pharus") was retained as the Debtors' investment banker.

B. APPOINTMENT OF COMMITTEE

On June 6, 2013, the United States Trustee appointed the Official Committee of Unsecured Creditors (the "Committee") pursuant to section 1102(a) of the Bankruptcy Code. The appointed members of the Committee are: Terex, CKS Packaging, Inc., Delta Express Systems, Inc., Krebs Land Development, LLC, and ProEnergy Partners, LP. By orders entered on July 16, 2013, the Committee was authorized to retain Benesch, Friedlander, Coplan & Aronoff, nunc pro tunc to June 6, 2013, as counsel to the Committee and Gavin/Solmonese, LLC as financial advisors to the Committee. The Committee's counsel and financial advisor have been actively involved in and consulted with regarding all aspects of the Bankruptcy Cases.

C. DEBTOR-IN-POSSESSION FINANCING

As part of the "first day" hearing in the Bankruptcy Cases, the Debtors sought authorization to ratify and amend the terms of the Receivable Sales Agreement with BFS and the Loan Agreement with Crossroads. On May 29, 2013, the Bankruptcy Court entered an order (the "Interim DIP Order") that authorized the Debtors to enter into the Ratification Agreements on an interim basis. On July 16, 2013, the Court entered a final order approving the Ratification Agreements (the "Final DIP Order").

The Final DIP Order also approved the Debtors' use of cash collateral, and the obtaining additional funds advanced by Thomas Kraatz ("Kraatz"). This financing was secured by the

funds frozen in the Debtors' accounts as a result of the actions of Terex. On August 6, 2013, Debtors sought additional, emergency funding of up to \$500,000 from Kraatz (the "Kraatz Financing"). The Court approved the Kraatz Financing by entry of an interim order on August 9, 2013 and a final order on September 10, 2013.

Borrowings under the Ratification Agreements and the Kraatz Financing were used to provide for the Debtors' working capital requirements and other general corporate purposes and to permit the Debtors to conduct a marketing process for the sale of substantially all of Industries' assets and to consummate such sale. During the Bankruptcy Cases, BFS and Crossroads have received full and final satisfaction of their Claims arising under the Receivable Sales Agreement and the Loan Agreement, and Kraatz has received full and final satisfaction of his Claims arising under the Kraatz Financings.

D. SALES OF ASSETS TO OIL-DRI CORPORATION OF AMERICA

In June 2013, the Debtors commenced a sale process to determine whether the interests of the Estates would be best served by selling some or all of the Debtors' business operations. In connection with this sale process, on June 19, 2013, the Debtors sought the Bankruptcy Court's approval for the retention of Pharus as their investment banker to market Industries' Assets. In connection with this sale process, Pharus contacted potential buyers. Two parties submitted written indications of interest, and Industries eventually decided to enter into a "stalking horse" Asset Purchase Agreement with Tolsa, U.S.A., Inc. ("Tolsa") dated as of October 10, 2013 (the "Tolsa APA"), under which Tolsa agreed to purchase substantially all of Industries' assets for \$7 million and the assumption of certain liabilities. On October 10, 2013, the Debtors filed a motion seeking an order (a) scheduling an auction at which the Debtors would solicit the highest or best bid for the sale of the substantially all of Industries' Assets; (b) approving bidding procedures related to conduct of auction; and (c) approving a break-up fee. On the same day, the Bankruptcy Court entered an order (the "Bid Procedures Order") approving the relief sought by the Debtors and, among other things, scheduling an auction for October 25, 2013 (the "Auction").

At the Auction there was competitive bidding between Tolsa and Oil-Dri Corporation of America ("Oil-Dri"). At the conclusion of the Auction, Oil-Dri submitted the winning bid with a purchase price of \$12.5 million for substantially all of Industries' assets (excluding the Reddick Plant) and the assumption of certain liabilities. On October 28, 2013, the Bankruptcy Court entered an order (the "Sale Order"), whereby the Bankruptcy Court approved the Asset Purchase Agreement with Oil-Dri. On November 1, 2013 (the "Closing Date"), Industries closed the transaction with Oil-Dri.

E. REJECTION AND ASSUMPTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

On October 16, 2013, the Debtors filed their Motion to reject the Clay Lease, pursuant to section 365 of the Bankruptcy Code, effective upon the closing of the sale of Industries' assets. The Court granted the Debtors' motion on October 28, 2013.

On October 27, 2013, the Debtors filed the Notice of Assumption, Sale, and Assignment of Designated Unexpired Leases and Executory Contracts (the "Assumption Notice"), which provided notice that, pursuant to the Oil-Dri Asset Purchase Agreement, on the Closing Date, Industries would assume and assign to Oil-Dri an executory contract with Ahold USA, Inc. (the "Assumed Contract"). Upon the closing of the Sale, the Assumed Contract was assigned to Oil-Dri.

On November 5, 2013, the Debtors filed the Debtors' First Omnibus Motion to Reject Certain Executory Contracts and Unexpired Leases *Nunc Pro Tunc* to November 5, 2013 (the "Omnibus Motion to Reject"), which was approved by the Bankruptcy Court. Pursuant to the Omnibus Motion to Reject, the Debtors have rejected most of Industries' remaining executory contracts and unexpired leases. In the Omnibus Motion to Reject, the Debtors also sought and received approval of a procedure for rejecting the remaining executory contracts and unexpired leases without the necessity of a hearing.

F. POST-PETITION FINANCIAL PERFORMANCE

The Debtors' financial performance since the Filing Date is summarized in monthly operating reports that the Debtors have filed with the Bankruptcy Court.

G. CLAIMS BAR DATE AND CLAIMS SUMMARY

On July 26, 2013, each of the Debtors filed with the Bankruptcy Court its schedule of assets and liabilities (as amended, the "Schedules") and statement of financial affairs. Pursuant to the Order Establishing a Bar Date and Approving Bar Date Notice and Procedures, dated August 14, 2013 (the "Claims Bar Date Order"), and pursuant to Bankruptcy Rule 3003(c)(3), the Bankruptcy Court established September 27, 2013 as the bar date for filing non-governmental proofs of claim against the Debtors' estates (the "General Claims Bar Date") and December 2, 2013 as the bar date for filing governmental claims against the Debtors' estates (the "Governmental Claims Bar Date"). The Claims Bar Date Order additionally approved the form for filing proofs of claim against the Debtors' estates (the "Proof of Claim Form") and the manner of notice of the Claims Bar Date (the "Claims Bar Date Notice"). On August 19, 2013, the Debtors' counsel caused the Claim Bar Date Order to be served on the master service list in these cases. On August 21, 2013, the Debtors' counsel caused the Claims Bar Date Notice and Proof of Claim Form to be mailed to all other known claimants.

As of December 31, 2013, approximately 91 proofs of claim (the "Industries Proofs of Claim") have been filed against Industries in these cases. The Industries Proofs of Claim have an approximate face amount of \$9.16 million. Approximately 29 proofs of claim have been filed against MFM Delaware (the "MFM Delaware Proofs of Claim"). The MFM Delaware Proofs of Claim have an approximate face amount of \$15.784 million. The Debtors have reviewed the Proofs of Claim to determine whether they are properly classified, duplicative, or invalid for any other reason. To date, the Debtors have filed four omnibus Claims objections with regard to the Proofs of Claim, and the Debtors anticipate additional Claims objections will be filed in the future as necessary. Further, once approved and consummated, the settlements with Palmer, Terex, and GE described more fully below, will further reduce the amount of the allowed claims against both Industries and MFM Delaware.

The Table on pages 4 and 5 of this Disclosure Statement presents the range of possible outcomes, which assumes approval of the Palmer and Terex settlements. The actual Allowed amount of Claims will not be known until all Claims objections are resolved, and the Table represents the Debtors' best estimate at this time.

H. PALMER SETTLEMENT

On January 29, 2014, the Debtors, the Committee and Palmer engaged in an all day mediation which resulted in the Palmer Settlement. Under the Palmer Settlement, the Debtors agreed to pay Palmer \$3,995,000 in full satisfaction of Palmer's liens and claims. Palmer had asserted secured claims against Industries in excess of \$8,200,000. If Palmer was successful in asserting all of his alleged secured claims, the dividend payable to unsecured creditors would have been zero. The hearing to approve the Palmer Settlement is scheduled for the same day as the hearing to approve this Disclosure Statement. The Plan and Disclosure Statement assume that the Palmer Settlement will be approved and funded before confirmation of the Plan.

I. TEREX SETTLEMENT

Terex asserted a secured claim against the Industries' bank accounts as of the Filing Date. The Debtors moved to set aside Terex's alleged lien in the bank accounts as a preference, and filed a summary judgment motion, which had not been decided as of the date of the Terex Settlement. Under the Terex Settlement, Terex will receive the funds in the bank accounts which will be credited against Terex's distribution under the Plan. Terex also agreed to reduce its claim against Industries by at least \$55,000. Terex's reduced claim will be treated as an unsecured claim, and its aggregate distribution will be no greater than any other Class 3(a) creditor. The hearing to approve the Terex Settlement is scheduled for the same day as the hearing to approve this Disclosure Statement.

J. GECC SETTLEMENT

Prior to the Petition Date, GECC sued the Debtors on account of their corporate guaranties of certain equipment leases between GECC and MFM Limestone. GECC asserted a claim in excess of \$2.1 million against MFM Delaware, and asserted that it filed a similar claim against Industries. Hugh Levey, a director of MFM Delaware, also guaranteed the MFM Limestone leases with GECC. Under the proposed settlement, the Debtors will pay GECC \$115,000. There is an open issue as to whether the Debtors have to reimburse Levey for his legal fees in connection with the GECC litigation (estimated to be \$75,000). The Debtors filed a motion to approve a settlement which is scheduled for the same day as the hearing to approve this Disclosure Statement.

V.

SUMMARY OF THE PLAN

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE, CLASSIFICATION, TREATMENT AND IMPLEMENTATION OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH

ACCOMPANIES THIS DISCLOSURE STATEMENT. ALTHOUGH THE STATEMENTS CONTAINED IN THE DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN, THIS DISCLOSURE STATEMENT DOES NOT PURPORT TO BE A PRECISE OR COMPLETE STATEMENT OF ALL OF THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS. THE PLAN WILL CONTROL THE TREATMENT OF CREDITORS AND INTEREST HOLDERS AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS AND UPON ALL OTHER PARTIES IN INTEREST.

A. CLASSIFICATION OF CLAIMS AND INTERESTS

1. Introduction

The categories of Claims and Interests set forth below classify all Claims against and Interests in the Debtors for all purposes of the Plan. A Claim or Interest is classified in a particular Class only to the extent the Claim or Interest qualifies within the description of that Class and is classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or Interest is in a particular Class only to the extent that such Claim or Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date. The treatment with respect to each Class of Claims and Interests provided for in the Plan shall be in full and complete satisfaction, release and discharge of such Claims and Interests.

The Plan is structured to recognize the normal priorities established by applicable law. In the event Industries' Estate is solvent, the Plan provides that all Allowed Unsecured Claims against Industries (Class 3(a)) will be paid in full with post-petition interest before any Distributions are made to the Holders of the rights derived from the Equity Interests in Industries (Allowed Unsecured Claims against MFM Delaware (Classes 3(b) and 4(b))).

2. Classification

The classification of Claims under the Plan is as follows:

<u>Class</u>	<u>Designation</u>	<u>Impairment</u>	<u>Entitled to Vote</u>
1(a)	Secured Claims against MFM Delaware	Unimpaired	No
1(b)	Secured Claims against Industries	Unimpaired	No
2	Priority Claims	Unimpaired	No
3(a)	Unsecured Claims against Industries other than Related Parties	Impaired	Yes
3(b)	Unsecured Claims against Delaware other than Related Parties	Impaired	Yes
4(a)	Unsecured Claims against Industries held by Related Parties	Impaired	Yes

4(b)	Unsecured Claims against MFM Delaware held by Related Parties	Impaired	Yes
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The classification of Interests under the Plan is as follows:

5	Interests in Industries	Unimpaired	No
6	Interests in MFM Delaware	Unimpaired	No

The Classes of Claims and Interests, as well as their treatment are described in more detail as follows:

(a) **Class 1(a) -- Secured Claims against MFM Delaware.** Class 1(a) Secured Claims against MFM Delaware consist of all Secured Claims against MFM Delaware. The legal, equitable and contractual rights of the Holders of Class 1(a) Secured Claims are unaltered by the Plan. Unless the Holder of such Claim and the Debtors agree to a different treatment, on or as soon as reasonably practicable after the later of (i) the Effective Date, and (ii) the date such Secured Claim becomes Allowed, each Holder of an Allowed Class 1(a) Secured Claim shall receive, in full and final satisfaction of such Allowed Class 1(a) Secured Claim, either: (x) the proceeds of the sale or disposition of the collateral securing such Allowed Secured Claim to the extent of the value of the Holder's interest in such collateral; or (y) the collateral securing such Allowed Secured Claim. In the event that the Debtors elect to treat an Allowed Class 1(a) Secured Claim under clause (x), the Liens securing such Claim shall be deemed released without the need for further action.

Voting: Class 1(a) is an Unimpaired Class, and the Holders of Allowed Class 1(a) Secured Claims against MFM Delaware are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 1(a) are not entitled to vote to accept or reject the Plan.

Estimated Class 1(a) Claims: The Debtors do not believe there are any creditors in this Class once the Palmer Settlement is implemented.

(b) **Class 1(b) -- Secured Claims against Industries.** Class 1(b) Secured Claims against Industries consist of all Allowed Secured Claims against Industries. The legal, equitable and contractual rights of the Holders of Class 1(b) Secured Claims are unaltered by the Plan. Unless the Holder of such Claim and the Debtors agree to a different treatment, on or as soon as reasonably practicable after the later of (i) the Effective Date, and (ii) the date such Secured Claim becomes Allowed, each Holder of an Allowed Class 1(b) Secured Claim shall receive, in full and final satisfaction of such Allowed Class 1(b) Secured Claim, either: (a) the proceeds of the sale or disposition of the collateral securing such Allowed Secured Claim to the extent of the value of the Holder's interest in such collateral; or (b) the collateral securing such Allowed Secured Claim.

Voting: Class 1(b) is an Unimpaired Class, and the Holders of Allowed Class 1(b) Secured Claims against Industries are

conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 1(b) are not entitled to vote to accept or reject the Plan.

Estimated Class 1(b) Claims: The Debtors anticipate that there will be one Allowed Class 1(b) Secured Claim against Industries, in the approximate amount of \$7,138, and that the Holder of such Claim will receive its collateral.

(c) **Class 2 -- Priority Claims.** Class 2 consists of all Claims entitled to priority under the provisions of section 507(a) of the Bankruptcy Code other than an Administrative Expense Claim or a Tax Claim. This will include Claims for sales commissions entitled to priority treatment under section 507(a)(4)(B) of the Bankruptcy Code. The legal, equitable and contractual rights of the Holders of Class 2 Priority Claims are unaltered by the Plan. Unless the Holder of such Claim and the Debtors agree to a different treatment, each Holder of an Allowed Class 2 Priority Claim shall receive, in full and final satisfaction of such Allowed Class 2 Priority Claim, Cash equal to the full amount of such Allowed Priority Claim on or as soon as reasonably practicable after the later of (a) the Effective Date, or (b) the date such Priority Claim becomes Allowed.

Voting: Class 2 is an Unimpaired Class, and the Holders of Class 2 Priority Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 2 are not entitled to vote to accept or reject the Plan.

Estimated Allowed Class 2 Priority Claims: The Debtors anticipate that there will be up to three Allowed Class 2 Priority Claims which could total as much as approximately \$21,581.

(d) **Class 3(a) -- Unsecured Claims against Industries (other than Related Party Claims).** Class 3(a) General Unsecured Claims against Industries consist of all Unsecured Claims against Industries other than Unsecured Claims held by Related Parties (Class 4(a)). The legal, equitable and contractual rights of the Holders of Class 3(a) Claims are impaired by the Plan. On either (i) the first Distribution Date after the applicable Claims Objection Deadline has occurred, if no objection to such Claim has been timely filed, or (ii) the first Distribution Date after the date on which any objection to such Unsecured Claim is settled, withdrawn, or overruled pursuant to a Final Order of the Bankruptcy Court, each Holder of an Allowed Class 3(a) Unsecured Claim shall receive a Pro Rata Distribution of any Distribution Proceeds and/or Retained Proceeds, as appropriate, that remain in the Industries' Estate after the payment and satisfaction of Allowed Administrative Expense Claims and Allowed Tax Claims and all amounts owed to Allowed Claims in Classes 1(b), 2, and 4(a). On each subsequent Distribution Date, or as soon thereafter as is reasonably practicable, the Distribution Agent shall cause the Debtors to continue to make Pro Rata Distributions to the Holders of Allowed Claims in Class 3(a) of any available Distribution Proceeds and/or Retained Proceeds, as appropriate, that remain in the Industries' Estates after the payment of the remaining Allowed Administrative Expense Claims and Allowed Tax Claims and all amounts owed to Holders of Allowed Claims in Classes

1(b), 2, and 4(a), until either such Allowed Class 3(a) Claim is satisfied in full with interest as provided below, or the Final Distribution Date. To the extent Distribution Proceeds and/or Retained Proceeds remain available, each Holder of an Allowed Class 3(a) Claim shall be entitled to receive interest on the unpaid amount of such Claim through the date such Claim is paid in full at the federal post-judgment interest rate in effect on the Effective Date of the Plan, as follows: (a) with respect to Claims arising from the rejection of an Executory Contract or Unexpired Lease, interest shall accrue from the effective date of such rejection; and (b) with respect to all other Allowed Class 3(a) Claims, interest shall accrue from the Filing Date. No other interest shall be payable with respect to the Holder of any Allowed Class 3(a) Claim. The aggregate Distributions payable to each Holder of an Allowed Class 3(a) Claim shall not exceed the Allowed Amount of such Claim plus any interest payable on such Claim pursuant to the terms of the Plan. The Distributions payable to Holders of Allowed Class 3(a) Claims shall be in full and final satisfaction of the amounts due to such Holders.

Voting: Class 3(a) is an Impaired Class. Pursuant to section 1126 of the Bankruptcy Code, each Holder of an Allowed Class 3(a) Claim is entitled to vote to accept or reject the Plan.

Estimated Allowed Class 3(a) Claims: The Debtors estimate that there will be approximately 155 Holders of Allowed Class 3(a) Claims and that these Claims will total between approximately \$4,525,000 (the low range) and approximately \$4,750,000 (the high range).

(e) **Class 3(b) -- Unsecured Claims against MFM Delaware.** Class 3(b) consists of all Unsecured Claims against MFM Delaware. The legal, equitable and contractual rights of the Holders of Class 3(b) Claims are impaired by the Plan. On either (i) the first Distribution Date after the applicable Claims Objection Deadline has occurred, if no objection to such Claim has been timely filed, or (ii) the first Distribution Date after the date on which any objection to such Unsecured Claim is settled, withdrawn, or overruled pursuant to a Final Order of the Bankruptcy Court, each Holder of an Allowed Class 3(b) Claim shall receive a Pro Rata Distribution of any Distribution Proceeds and/or Retained Proceeds, as appropriate, that remain in the Debtors' Estates after the payment and satisfaction of Allowed Administrative Expense Claims and Allowed Tax Claims and all amounts owed to Holders of Allowed Claims in Classes 1(a), 1(b), 2, 3(a), 4(a) and 4(b). On each subsequent Distribution Date or as soon thereafter as is reasonably practicable, the Distribution Agent shall cause the Debtors to continue to make Pro Rata Distributions to the Holders of Allowed Claims in Class 3(b) of any available Distribution Proceeds and/or Retained Proceeds, as appropriate, that remain in the Debtors' Estates after the payment of the remaining Allowed Administrative Expense Claims and Allowed Tax Claims and all amounts owed to Holders of Allowed Claims in Classes 1(a), 1(b), 2, 3(a), 4(a) and 4(b) until either such Allowed Class 3(b) Claim is satisfied in full with interest as provided below, or the Final Distribution Date. To the extent Distribution Proceeds and/or Retained Proceeds remain available, each Holder of an Allowed Class 3(b) Claim shall be entitled to receive interest on the unpaid amount of such Allowed Claim through the date such Claim is paid in full at the federal post-judgment interest rate in effect on the Effective Date of the Plan as follows: (a) with respect to Claims arising from the rejection of an Executory Contract or Unexpired Lease, interest shall accrue from the effective date of such rejection; and (b) with respect to all other Allowed Class

3(b) Claims, interest shall accrue from the Filing Date. No other interest shall be payable with respect to any Allowed Class 3(b) Claim. The aggregate Distributions payable to each Holder of an Allowed Class 3(b) Claim shall not exceed the Allowed Amount of such Claim plus any interest payable on such Claim pursuant to the terms of the Plan. The Distributions payable to Holders of Allowed Class 3(b) Claims shall be in full and final satisfaction of the amounts due to such Holders.

In addition to receiving their Distribution under the Plan, creditors holding Allowed Class 3(b) Unsecured Claims against MFM Delaware will be required to take such additional actions as may be requested by MFM Delaware, including, if necessary, converting the balance of their claims to equity of MFM Delaware (after applying all Distribution Proceeds and Retained Proceeds payable to such creditor under the Plan). The conversion of MFM Delaware claims to equity will be done on a pro rata basis based on the Allowed Claims held by creditors against MFM Delaware (except that claims of Related Parties shall be calculated at 90% of the Allowed amount of such claims). The equity to be shared by MFM Delaware creditors (Class 3(b) and 4(b)) will be 35% of the overall equity in MFM Delaware; the overall intent being to ensure that there would be maximum utilization of the NOL, to the extent feasible.

Voting: Class 3(b) is an Impaired Class. Pursuant to section 1126 of the Bankruptcy Code, each Holder of an Allowed Class 3(b) Claim is entitled to vote to accept or reject the Plan.

Estimated Allowed Class 3(b) Claims: The Debtors estimate that there will be approximately 3 Holders asserting Class 3(b) Claims and the estimated Allowed amount is \$250,000 (assuming the Palmer Settlement and GECC Settlements are implemented with the Debtors paying the settlement amount). The estimate assumes that many of the claims filed against MFM Delaware will be disallowed and that claims filed against MFM Delaware and Industries will be satisfied by Industries through Distributions to Holders of Class 1(a) or Class 3(a) Unsecured Claims against Industries. At this time, the Debtors believe that it is unlikely that sufficient Distribution Proceeds will remain following payments to Holders of Allowed Class 1(a), 1(b), 2, 3(a), and 4(a) Claims to make a distribution to Holders of Allowed Class 3(b) Claims. The major factor will be the sales price for the Reddick Plant. It is unclear whether there is an NOL that can be used in MFM Delaware.

(f) **Class 4(a) -- Unsecured Claims against Industries held by Related Parties.** Class 4(a) Unsecured Claims consist of all Unsecured Claims against Industries held by Related Parties. Class 4(a) creditors will receive 90% of what their distributions would otherwise have been if they were in Class 3(a). The calculation of the Class 4(a) Distribution shall be made simultaneously with the Class 3(a) Distribution, and Distributions to both Classes will be made at the same time. By way of illustration, if Industries Related Parties were in Class 3(a), they would have received a 60% dividend. By virtue of the compromise in the Plan, Class

4(a) creditors will receive a 54% dividend (90% of 60%), and the 6% difference of what otherwise would have been paid to Industries Related Parties will be paid to Class 3(a) unsecured Creditors.

Voting: Class 4(a) is an Impaired Class. Pursuant to section 1126(g) of the Bankruptcy Code, each Holder of an Allowed Class 4(a) Unsecured Claim of a Related Party against Industries is entitled to vote to accept or reject the Plan.

Estimated Allowed Class 4 Claims: The Debtors estimate that there will be approximately 3 Holders of Allowed Class 4(a) Unsecured Claims of Related Parties against Industries and that these Claims will total approximately \$1,297,511.

Class 4(b) -- Unsecured Claims Against MFM Delaware of a Related Party. Class 4(b) Unsecured Claims consist of all Unsecured Claims against MFM Delaware held by Related Parties. Class 4(b) creditors will receive 90% of what their distributions would otherwise have been if they were in Class 3(b). The calculation of the Class 4(b) Distribution shall be made simultaneously with the Class 3(b) Distribution, and Distributions to both Classes will be made at the same time. In addition to receiving their distribution under the Plan, creditors holding Allowed Class 4(b) Unsecured Claims against MFM Delaware will be required to take such additional actions as may be requested by MFM Delaware, including, if necessary, converting the balance of their claims to equity of MFM Delaware (after applying all Distribution Proceeds and Retained Proceeds payable to such creditor under the Plan). The conversion of MFM Delaware claims to equity will be done on a pro rata basis based on the Allowed claims held by creditors against MFM Delaware (except claims held by Related Parties shall be calculated at 90% of the Allowed amount of such claims). The equity to be shared by MFM Delaware creditors (Class 3(b) and 4(b)) will be 35% of the overall equity in MFM Delaware; the overall intent being to ensure that there would be maximum utilization of the NOL, to the extent feasible.

Voting: Class 4(b) is an Impaired Class. Pursuant to section 1126(g) of the Bankruptcy Code, each Holder of an Allowed Class 4(b) Unsecured Claim of a Related Party against MFM Delaware is entitled to vote to accept or reject the Plan

Estimated Allowed Class 4(b) Claims: The Debtors estimate that there will be approximately 4 Holders of Allowed Class 4(b) Unsecured Claims of Related Parties against MFM Delaware and that these Claims will total approximately \$3,808,395. It is unclear whether there is an NOL that can be effectively used in MFM Delaware.

(g) **Class 5 -- Interests in Industries.** Class 5 consists of the Interests in Industries (which are held by MFM Delaware). The Holder of an Allowed Class 5 Interest shall retain its Interest.

Voting: Class 5 is an Unimpaired Class. Pursuant to section 1126(f) of the Bankruptcy Code, the Holder of the Allowed Class 5 Interests in Industries is deemed to have accepted the Plan.

(h) **Class 6 -- Interests in MFM Delaware.** Class 6 consists of all Interests in MFM Delaware. The Holders of Class 6 Interests shall retain such Interests.

Voting: Class 6 is an Unimpaired Class. Pursuant to section 1126(f) of the Bankruptcy Code, each Holder of an Allowed Class 6 Interest in MFM Delaware is deemed to have accepted the Plan.

B. TREATMENT OF UNCLASSIFIED CLAIMS

1. Summary

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Tax Claims against the Debtors are not classified for purposes of voting on, or receiving Distributions under, the Plan. All such Claims are instead treated separately in accordance with Article IV of the Plan and in accordance with the requirements set forth in sections 1129(a)(9)(A) and (C) of the Bankruptcy Code.

2. Administrative Expense Claims

Administrative Expense Claims are claims for payment of administrative expenses of a kind specified in section 503(b) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(2) of the Bankruptcy Code. The Debtors currently estimate that the aggregate amount of (i) the unpaid Administrative Expense Claims as of the date of this Disclosure Statement, plus (ii) the Administrative Expense Claims that will be incurred by the Debtors from and after the date of this Disclosure Statement until the Effective Date, may total approximately \$1,350,000. Such claims include (without limitation) the actual, necessary expenses of preserving the Debtors' Assets incurred after the Filing Date, including Section 503(b)(9) claims, post-petition trade payables, equipment and real estate leases, wages, employee benefits, workers' compensation claims, post-petition real property taxes for the Reddick Plant, salaries or commissions for services rendered after the Filing Date, and Claims for Professional Compensation. Subject to the provisions of sections 328, 330(a), and 331 of the Bankruptcy Code (which apply to Claims for Professional Compensation), the Plan provides that each Holder of an Allowed Administrative Expense Claim will be paid the full unpaid amount of such Allowed Administrative Expense Claim in Cash on the latest of (i) the Effective Date, (ii) as soon as practicable after the date on which such Claim becomes an Allowed Administrative Expense Claim, (iii) upon such other terms as may be agreed upon by such Holder and the Distribution Agent, or (iv) as otherwise ordered by the Bankruptcy Court.

3. Bar Date for Filing Administrative Expense Claims

Except as otherwise provided in the Plan, each Person holding an Administrative Expense Claim (other than a Claim for Professional Compensation) is required to file a proof of such Administrative Expense Claim with the Bankruptcy Court within thirty (30)

days after the Confirmation Date. At the same time any Person files an Administrative Expense Claim, such Person shall also cause the Claim to be served on counsel for the Distribution Agent. Any Person who fails to timely file and serve a proof of such Administrative Expense Claim with the Bankruptcy Court shall be forever barred from seeking payment of such Administrative Expense Claim by the Debtors and the Estates. Any Person seeking an award by the Bankruptcy Court of Professional Compensation is required to file a final application with the Bankruptcy Court for allowance of Professional Compensation for services rendered and reimbursement of expenses incurred through the Effective Date within sixty (60) days after the Effective Date or by such other deadline as may be fixed by the Bankruptcy Court.

4. Tax Claims

Except to the extent that the Holder of a particular Tax Claim has agreed to a different treatment of such Claim, each Holder of an Allowed Tax Claim shall receive Cash on the Effective Date (or as soon thereafter as is reasonably practicable) in an amount equal to such Allowed Tax Claim. The Debtors shall pay each Tax Claim that becomes Allowed following the Effective Date in Cash in full as soon as reasonably practicable after the date such Claim becomes Allowed. The Debtors estimate that Allowed Tax Claims will total approximately \$5,000.

VI.

MEANS FOR IMPLEMENTATION OF THE PLAN

A. CONTINUED CORPORATE EXISTENCE

The Plan does not propose the substantive consolidation of Debtors' Estates. Each Debtor will continue to exist after the Effective Date as a separate corporate entity with all the powers of a corporation under applicable law in the jurisdiction in which it is incorporated or otherwise formed and pursuant to its certificate or articles of incorporation and bylaws or other organizational documents in effect prior to the Effective Date, except to the extent such articles of incorporation and bylaws or other organizational documents are amended by the Plan, without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date.

B. VESTING OF DEBTORS' ASSETS

Pursuant to the Plan, all property of the Debtors and their Estates shall vest automatically in the Debtors on the Effective Date (without the necessity of executing any instruments of assignment). The Distribution Agent shall make Distributions to Holders of Claims and Interests pursuant to the terms and conditions of the Plan. Without limiting the foregoing, the Debtors shall be vested with all of the Causes of Action, which shall be prosecuted and enforced under the direction and control of the Distribution Agent with the oversight of the Creditor Oversight Committee. As of the Effective Date, (a) all property of the Debtors shall be free and clear of all Liens, Claims and Interests, and (b) all of the rights of Holders of Claims and Interests to receive Distributions shall be governed by the Plan.

In addition to the proceeds received from the sale of Industries' assets to Oil-Dri and other cash and cash equivalents, the remaining assets held by Industries as of the date of this Disclosure Statement include (without limitation): (a) the Reddick Plant; (b) accounts receivable; (c) all remaining utility deposits, security deposits, and other deposits (estimated to be approximately \$72,000); (d) all insurance policies relating to the Debtors' business and all Claims arising under such policies prior to the Closing, and all credits, premium refunds, proceeds, causes of action or rights thereunder (estimated to be approximately \$5,000); (e) any tax refund or reimbursement due to the Debtors or their affiliates resulting from a Pre-Closing Tax Period; (f) all Causes of Action; and (g) all of Industries' accounts receivable that have not been collected since the Closing Date.

C. POST-CONFIRMATION OPERATION OF THE DEBTORS

The Plan provides that Matthew Crane will serve as the Distribution Agent under the Plan. Mr. Crane currently serves as the President and Chief Executive Officer of the Debtors, and the Debtors believe that Mr. Crane has the knowledge and experience needed to liquidate and wind-down the Debtors' remaining Assets in a prompt, efficient, and cost-effective manner.

The Distribution Agent shall have the rights, powers and duties set forth in the Plan and shall be responsible for administering the Plan under the terms and subject to the conditions set forth in the Plan, including the authority of the Creditor Oversight Committee. After the Effective Date, the Distribution Agent shall be authorized to take all necessary, desirable or appropriate actions to direct and oversee the Debtors' activities and to proceed with an orderly, expeditious and efficient administration of the Estates in accordance with the Plan. The Distribution Agent shall be authorized to retain or engage, or to cause the Debtors to retain or engage, such employees, professional persons, and agents as are appropriate or desirable to continue the administration of the Estates. Further, the Distribution Agent shall be authorized to make Distributions from the Retained Proceeds to pay the costs and expenses incurred after the Confirmation Date in connection with the administration of the Estates, without the necessity of providing any notice or seeking or obtaining any approval of the Bankruptcy Court with respect to such Distributions. Without limiting the generality of the foregoing, the Distribution Agent shall be authorized to make Distributions from the Retained Proceeds to pay the fees and expenses of any professional persons retained by the Distribution Agent, the Debtors, and the Creditor Oversight Committee.

The Plan provides for certain protections for the Distribution Agent, including indemnity rights. It also contains provisions relating to the replacement of the Distribution Agent in certain events. The Distribution Agent shall be reimbursed for any out-of-pocket expenses incurred in connection with the discharge of its duties under the Plan and shall be compensated for his services at the rate of \$1,000 per week. The Distribution Agent's compensation and expenses shall be reimbursed and/or paid out of the Retained Proceeds and such compensation and expenses may be paid without the necessity of providing notice to any party in interest or obtaining any approval from the Bankruptcy Court. On the Final Distribution Date, after making the Final Distribution under the Plan, the Distribution Agent shall be discharged from its duties under the Plan.

D. MAINTENANCE OF BANK ACCOUNTS AND DISTRIBUTION OF PROCEEDS

The Distribution Agent shall have the authority and responsibility to disburse the assets of the Estates to the Holders of Allowed Claims and Holders of Allowed Interests and otherwise in accordance with the terms of the Plan. The Distribution Agent shall be entitled to use the Debtors' bank accounts that are in existence as of the Effective Date and shall be authorized to open such bank or other depository accounts as may be necessary or appropriate in the discretion of the Distribution Agent to enable it to carry out the provisions of the Plan (provided that any bank account opened by the Distribution Agent shall be at a financial institution approved by the Office of the United States Trustee). The Distribution Agent may, from time to time, cause the Debtors to invest Distribution Proceeds and Retained Proceeds in certificates of deposit, treasury bills, money market accounts or other short term investments. All interest earned shall be retained for Distribution to the Holders of Allowed Claims and Holders of Allowed Interests pursuant to the Plan.

The Distribution Agent shall prepare and maintain an adequate set of financial books, records or databases that will allow the Distribution Agent to accurately track the amount of Claims asserted against the Estates and the amounts paid to each Holder of an Allowed Claim and to each Holder of an Allowed Interest pursuant to the terms of the Plan. On the Initial Distribution Date (or as soon thereafter as is reasonably practicable) and each subsequent Distribution Date, the Distribution Agent shall make Distributions to the Holders of Allowed Claims and the Holders of Allowed Interests in accordance with the terms of the Plan. The Distribution Agent will continue to make Distributions until the assets in the Estates have been fully distributed to Holders of Allowed Claims and Allowed Interests in accordance with the terms of the Plan.

E. SALES OF REMAINING ASSETS

On and after the Effective Date, the Distribution Agent shall have sole authority to cause the Debtors to liquidate and sell, and the Distribution Agent shall pursue the liquidation of all remaining Assets. The Distribution Agent shall have the authority to consummate such liquidations and sales without the necessity of obtaining any approval from the Bankruptcy Court or providing notice to any party in interest if the aggregate purchase price for the Assets to be sold in connection with a particular transaction is less than or equal to \$10,000, after providing 10 days notice to the Creditor Oversight Committee, and no written objection having been made by the Creditor Oversight Committee. If the aggregate purchase price in connection with a particular sale transaction exceeds \$10,000, the approval of the Creditor Oversight Committee or the Bankruptcy Court shall be required prior to consummation of the sale; provided, however, the Distribution Agent shall have the right in its sole discretion to seek and obtain Bankruptcy Court approval of any sale transaction if the Distribution Agent believes it is in the best interests of the Estates to do so, and provided further, that any sale transaction above \$100,000 shall require Bankruptcy Court approval. The Distribution Agent shall also have the authority, after consultation with the Creditor Oversight Committee, if appropriate in the sole discretion of the Distribution Agent, to abandon any Assets that cannot be liquidated or sold in a cost effective manner or that have inconsequential value.

F. CORPORATE STRUCTURE AND GOVERNANCE OF THE DEBTORS

1. Continued Corporate Existence

Each Debtor will continue to exist after the Effective Date as a separate corporate entity with all the powers of a corporation under applicable law in the jurisdiction in which it is incorporated or otherwise formed and pursuant to its certificate or articles of incorporation and bylaws or other organizational documents in effect prior to the Effective Date, except to the extent such articles of incorporation and bylaws or other organizational documents are amended by the Plan, without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date.

2. Amendment of Charters

On and as of the Effective Date, the charters of the Debtors shall be deemed to have been amended to prohibit the issuance of nonvoting equity securities to the extent required by the Bankruptcy Code.

3. Directors and Officers of Debtors

On the Effective Date, the authority, power and incumbency of the persons then acting as officers and directors of the Debtors shall be continued; provided that the Distribution Agent shall be permitted to fully administer his duties in accordance with the Plan.

4. Corporate Action

Each of the matters provided for under the Plan involving the corporate structure of any Debtor or any corporate action to be taken by or required of any Debtor shall be deemed to have occurred and be effective as provided in the Plan, and shall be authorized, approved and, to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further action by stockholders, creditors or directors of any of the Debtors.

G. PRESERVATION OF CAUSES OF ACTION

In accordance with section 1123(b)(3) of the Bankruptcy Code, the Debtors will retain and may (but are not required to) enforce all Causes of Action. After the Effective Date, unless prohibited by the terms of the Plan, the Distribution Agent or the Creditor Oversight Committee, as applicable, shall have the right to bring, settle, release, compromise, or enforce such Causes of Action (or decline to do any of the foregoing). Specifically, the Distribution Agent, in its sole and absolute discretion, shall have the right to bring, settle, release, compromise, or enforce such Causes of Action (or decline to do any of the foregoing), so long as it is in the best interests of the Debtors or any successors holding such rights of action to do so, after providing 10 days notice to the Creditor Oversight Committee, and no written objection having been made by the Creditor Oversight Committee, unless the amount sought is greater than \$10,000. If the amount sought is greater than \$10,000, approval of the Creditor Oversight Committee or the Bankruptcy Court shall be necessary to settle, release, or compromise any Cause of Action; provided however if the amount is greater than \$100,000, Bankruptcy Court approval shall be required.

The failure of the Debtors to specifically list any claim, right of action, suit, proceeding or other Cause of Action in the Plan does not, and will not be deemed to, constitute a waiver or release by the Estates, the Distribution Agent, or the Debtors of such claim, right of action, suit, proceeding or other Cause of Action, and the Distribution Agent will retain the right to pursue such claims, rights of action, suits, proceedings and other Causes of Action as provided in the Plan, and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches will apply to such claim, right of action, suit, proceeding or other Cause of Action upon or after the confirmation or consummation of the Plan.

VII.

PROVISIONS REGARDING DISTRIBUTIONS

A. DISTRIBUTION AGENT

Unless otherwise provided for in the Plan, all Distributions under the Plan shall be made by the Distribution Agent.

B. DISTRIBUTIONS OF CASH

Any Distribution of Cash made by the Distribution Agent pursuant to the Plan shall, at the Distribution Agent's option, be made by check drawn on a domestic bank or by wire transfer from a domestic bank.

C. NO INTEREST ON CLAIMS OR INTERESTS

Unless otherwise specifically provided for in the Plan or the Confirmation Order, postpetition interest shall not accrue or be paid on Claims or Interests and no Holder shall be entitled to interest accruing on or after the Filing Date on any Claim or Interest.

D. DELIVERY OF DISTRIBUTIONS

The Distribution to a Holder of an Allowed Claim or to a Holder of an Allowed Interest shall be made by the Distribution Agent (a) at the address set forth on the proof of claim filed by such Holder, (b) at the address set forth in any written notices of address change delivered to the Debtors or the Distribution Agent after the date of any related proof of claim, (c) at the address set forth in any Notice of Transfer of Claim or Interest; (d) at the address reflected in the Schedules if no proof of claim has been filed and the Debtors or Distribution Agent have not received a written notice of a change of address, or (e) if the Holder's address is not listed in the Schedules, at the last known address of such Holder according to the Debtors' books and records. If any Holder's Distribution is returned as undeliverable, the Distribution Agent shall have no obligation to make further Distributions to such Holder; provided, however, amounts in respect of undeliverable Distributions made in Cash shall be retained by the Distribution Agent in an "Unpaid Claims Reserve" until such Distributions are claimed or six (6) months have passed. All Cash Distributions returned to the Distribution Agent and not claimed within six (6) months of return shall be irrevocably retained by the Distribution Agent (and the funds held in the Unpaid Claims Reserve shall become Distribution Proceeds at the end of such six-month

period) notwithstanding any federal or state escheat laws to the contrary. After the end of such six-month period, the Claim of any other Person to such property shall be discharged and forever barred.

E. DISTRIBUTIONS TO HOLDERS AS OF THE RECORD DATE

All Distributions on Allowed Claims or Allowed Interests shall be made to the Record Holders of such Claims or Interests. As of the close of business on the Record Date: (i) the Claims register maintained by the Claims Agent shall be closed; and (ii) the stock transfer ledger or similar register of Industries and MFM Delaware shall be closed. The Distribution Agent shall have no obligation to recognize any transfer of any Claim or Interest occurring after the Record Date. The Distribution Agent shall instead be entitled to recognize and deal for all purposes under the Plan with the Record Holders as of the Record Date.

F. DISTRIBUTIONS ON INSURED CLAIMS

If any Holder has asserted a Claim that is covered as to liability, in whole or in part, by an insurance policy that is assumed or otherwise remains in effect pursuant to the terms of the Plan, such Holder will have a Claim entitled to a Distribution under the Plan only to the extent of any deductible or self-insured retention under the applicable insurance policy that was unpaid or otherwise unexhausted as of the Filing Date. Notwithstanding the foregoing, the Holder shall be entitled to pursue recovery of any amount in excess of such unpaid deductible or self-insured retention from the applicable insurance carrier and, in connection therewith, notwithstanding the discharge of the balance of such Claim provided pursuant to the Plan, such Holder may continue to pursue the balance of such Claim against the Debtors solely for the purposes of liquidating such Claim and obtaining payment of the balance of such liquidated Claim from any otherwise applicable policy of insurance. Except as otherwise provided in the applicable insurance policy, the applicable insurance carrier may, at its expense, employ counsel, direct the defense, and determine whether and on what terms to settle any Claim for the purposes of determining the amount of insurance proceeds that will be paid on account of such Claim. If after liquidation of a Claim pursuant to Section 9.6 of the Plan, it is determined that there are insufficient insurance proceeds available to satisfy the amount of such Claim that is in excess of any unpaid deductible or self-insured retention, then the Holder of such Claim shall have a Claim in the amount of such insufficiency. Notwithstanding any other provision of the Plan, after the Effective Date the Bankruptcy Court shall be authorized to enter one or more orders in the Bankruptcy Cases modifying and amending the provisions of Section 9.6 of the Plan, provided that any such modifications shall not be material and adverse to the interests of Holders of insured Claims.

G. DE MINIMIS DISTRIBUTIONS

Except for Distributions to Holders of Class 4 Claims and Distributions being made on the Final Distribution Date, the Distribution Agent shall have no obligation to make a Distribution if the amount to be distributed to the specific Holder of the Allowed Claim or Interest is less than fifty dollars (\$50.00); provided, however, if the Distribution Agent elects not to make a Distribution as contemplated by this provision of the Plan, such Distribution shall be held for the Holder of such Claim or Interest until the next Distribution Date at which time such Distribution shall be made, subject to the same provision for de minimis distributions.

H. FRACTIONAL SECURITIES; FRACTIONAL DOLLARS

Any other provision of the Plan notwithstanding, the Debtors shall not be required to make Distributions or payments of fractions of dollars. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars or less being rounded down.

I. WITHHOLDING TAXES

The Debtors or the Distribution Agent shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all Distributions under the Plan shall be subject to any such withholding and reporting requirements.

VIII.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. REJECTION OF CONTRACTS AND LEASES

Under the Plan, on the Effective Date, all Executory Contracts or Unexpired Leases of the Debtors will be deemed rejected in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, except those Executory Contracts or Unexpired Leases that (a) have been previously rejected or assumed by either Debtor pursuant to an order of the Bankruptcy Court (including all Sale Order Assumed Contracts), or (b) are the subject of a motion to assume filed by either Debtor which is pending on the Effective Date.

B. CLAIMS BASED ON REJECTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

All proofs of claim with respect to Claims arising from the rejection pursuant to the Plan of any Executory Contracts or Unexpired Leases, if any, must be filed with the Bankruptcy Court and served upon counsel for the Distribution Agent within thirty (30) days after the Effective Date. Any Claims arising from the rejection of Executory Contracts or Unexpired Leases that become Allowed Claims are classified and shall be treated as Class 3(a) Unsecured Claims against Industries, Class 3(b) or Unsecured Claims against MFM Delaware. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan not filed within the time required by this section will be forever barred from assertion against the Debtors, the Estates, and property of the Debtors unless otherwise ordered by the Bankruptcy Court or provided in the Plan. Notwithstanding the foregoing, a Claim for damages arising from the rejection of an Executory Contract or Unexpired Lease rejected pursuant to an order of the Bankruptcy Court must be filed prior to any bar date set forth in such order.

C. SURVIVAL OF CERTAIN INDEMNIFICATION OBLIGATIONS

Notwithstanding any other provision of the Plan, the obligations of the Debtors pursuant to their certificates or articles of incorporation, bylaws and other organizational documents or applicable agreements to indemnify persons serving after the Filing Date as officers, directors,

agents or employees of the Debtors with respect to claims, demands, actions, suits and proceedings against the Debtors or such officers, directors, agents or employees, based upon any act or omission for, on behalf of, or relating to the Debtors and occurring prior to or after the Filing Date, shall not be discharged or impaired by the confirmation of the Plan (it being understood that such obligations shall continue to be obligations payable by the Distribution Agent under the Plan).

IX.

PROCEDURES FOR TREATING AND RESOLVING DISPUTED CLAIMS

A. OBJECTIONS TO CLAIMS

The Debtors, the Distribution Agent and the Creditor Oversight Committee, as applicable, shall be entitled to object to Claims; provided, however, that the Debtors and the Distribution Agent or the Creditor Oversight Committee shall not be entitled to object to Claims (i) that have been Allowed by a Final Order entered by the Bankruptcy Court prior to the Effective Date, or (ii) that are Allowed by the express terms of the Plan. Any objections to Claims must be filed by the Claims Objection Deadline.

B. NO DISTRIBUTIONS PENDING ALLOWANCE

Except as otherwise provided in the Plan, no Distributions will be made with respect to any portion of a Claim unless and until (i) the Claims Objection Deadline has passed and no objection to such Claim has been filed and no Avoidance Action has been filed against the Holder of the Claim, or (ii) any objection to such Claim and/or any Avoidance Action filed against the Holder of the Claim has been settled, withdrawn, overruled or dismissed pursuant to a Final Order of the Bankruptcy Court.

C. ESTIMATION OF CLAIMS

The Debtors or the Distribution Agent or the Creditor Oversight Committee, as the case may be, may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502 of the Bankruptcy Code regardless of whether the Debtors or the Distribution Agent or the Creditor Oversight Committee have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors (and after the Effective Date, the Distribution Agent or the Creditor Oversight Committee) may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and are not necessarily exclusive of one another.

D. RESOLUTION OF CLAIMS OBJECTIONS

On and after the Effective Date, the Distribution Agent shall have the authority to compromise, settle, otherwise resolve or withdraw any objections to Claims without approval of the Creditor Oversight Committee or the Bankruptcy Court, after providing 10 days notice to the Creditor Oversight Committee, and no written objection having been made by the Creditor Oversight Committee, unless the amount sought is greater than \$10,000. If the amount of the Claim is greater than \$10,000, approval of the Creditor Oversight Committee or the Bankruptcy Court shall be necessary to compromise, settle, otherwise resolve or withdraw any objections to Claims, unless the amount of the Claim is greater than \$100,000, Bankruptcy Court approval shall be required.

E. DISTRIBUTIONS AFTER ALLOWANCE

As soon as practicable after (i) the occurrence of the applicable Claims Objection Deadline, if no objection to such Claim has been timely filed and no Avoidance Action has been filed against the Holder of the Claim, or (ii) a Disputed Claim becomes an Allowed Claim, the Debtors, with respect to all Distributions other than to Holders of Unsecured Claims, will distribute to the Holder thereof all Distributions to which such Holder is then entitled under the Plan. With respect to Unsecured Claims, on the first Distribution Date after (i) the occurrence of the applicable Claims Objection Deadline, if no objection to such Claim has been timely filed and no Avoidance Action has been filed against the Holder of the Claim, or (ii) a Disputed Claim becomes an Allowed Claim, notwithstanding the dollar threshold in Section 1.1.31 of the Plan, the Holder of an Allowed Unsecured Claim shall receive the Distribution to which such Holder is then entitled plus any Distribution such Holder would have received on a prior Distribution Date had such Holder's Claim been Allowed on such prior Distribution Date; provided, however, if the date such Unsecured Claim becomes entitled to a Distribution is less than twenty (20) Business Days prior to the next Distribution Date, the Distribution with respect to such Claim will be made on the first Distribution Date that occurs more than twenty (20) Business Days after the Claim becomes entitled to a Distribution.

X.

CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

A. CONDITIONS TO CONFIRMATION

The following are conditions precedent to confirmation of the Plan that may be satisfied or waived in accordance with Section 11.3 of the Plan: (a) the Bankruptcy Court shall have approved a Disclosure Statement with respect to the Plan in form and substance that is acceptable to the Debtors, in their sole and absolute discretion; and (b) the Confirmation Order shall have been signed by the Bankruptcy Court and entered on the docket of the Bankruptcy Cases.

B. CONDITIONS TO EFFECTIVE DATE

The following are conditions precedent to the occurrence of the Effective Date, each of which may be satisfied or waived in accordance with Section 11.3 of the Plan:

(a) The Confirmation Order shall be in all material respects reasonably acceptable to the Debtors, shall not have been vacated, reversed or modified and, as of the Effective Date, shall not be stayed;

(b) All documents and agreements to be executed on the Effective Date or otherwise necessary to implement the Plan shall be in form and substance that is acceptable to the Debtors, in their reasonable discretion;

(c) The Debtors shall have received any authorization, consent, regulatory approval, ruling, letter, opinion, or document that may be necessary to implement the Plan and that is required by law, regulation, or order; and

(d) The Confirmation Order shall have become a Final Order.

Under the Plan, each of the conditions set forth above may be waived, in whole or in part, by the Debtors without any notice to any other parties in interest or the Bankruptcy Court and without a hearing. The failure to satisfy or waive any condition to the Confirmation Date or the Effective Date may be asserted by the Debtors in their sole discretion regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors in their sole discretion). The failure of the Debtors to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right, which may be asserted at any time.

XI.

CERTAIN EFFECTS OF CONFIRMATION

A. REVESTING OF THE DEBTORS' ASSETS

Except as otherwise explicitly provided in the Plan, on the Effective Date, all property comprising the Estates (including Cause of Actions, but excluding property that has been abandoned pursuant to an order of the Bankruptcy Court) shall revert in the Debtors. The Distribution Agent shall make Distributions to Holders of Claims and Holders of Interests pursuant to the terms and conditions of the Plan.

B. TREATMENT OF CLAIMS AND INTERESTS

Except as otherwise specifically provided in the Plan or in the Confirmation Order, the Distributions and rights that are provided in the Plan shall govern the rights of all Holders of Claims, whether known or unknown, against, Liens on, and Interests in the Debtors or their Estates that arose prior to the Effective Date, and no such Holder shall be authorized or permitted to take any action that is inconsistent with the Plan.

C. SETOFFS

The Debtors may, but shall not be required to, set off against any Claim, and the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, claims of any nature whatsoever that the Debtors may have against such Holder; but neither the failure

to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Estates of any such claim that the Debtors or the Estates may have against such Holder.

D. RELEASES OF RELATED PARTIES.

The Debtors are releasing all claims against Related Parties and their claims are being allowed under the Plan, as set forth in Exhibit A annexed hereto. The Related Parties will receive under the Plan 90% of what their distribution would have otherwise been if they were treated as the holder of an Allowed Unsecured Claim against the Debtors.

E. EXCULPATION AND LIMITATION OF LIABILITY

The Debtors, the Estates, the Committee, the members of the Committee in their capacities as such, and any of such parties' respective current and/or post-Filing Date and pre-Effective Date members, officers, directors, employees, advisors, attorneys, representatives, financial advisors, investment bankers, or agents and any of such parties' successors and assigns, shall not be liable for any Cause of Action arising in connection with or out of the administration of the Chapter 11 Cases, pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for gross negligence or willful misconduct as determined by Final Order of the Bankruptcy Court. Without limiting the generality of the foregoing, the Debtor and its officers, member, employees, attorneys, financial advisors, and other Professionals shall be entitled to and granted the benefits of section 1125(e) of the Bankruptcy Code. So that there is no confusion about the exculpation provision, it is expressly understood that this exculpation provision shall not apply to the claim of Elliott Mallard.

F. INJUNCTION

Except as otherwise expressly provided in the Plan, the Confirmation Order, or a separate Final Order of the Bankruptcy Court, all Persons who have held, hold, or may hold Claims against or Interests in any of the Debtors will be permanently enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind against the Debtors with respect to any such Claim or Interest; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against the Debtors on account of any such Claim or Interest; (c) creating, perfecting, or enforcing any Lien or encumbrance of any kind against the Debtors or against the property or interests in the property thereof on account of any such Claim or Interest; and (d) taking any action to interfere with the implementation or consummation of the Plan; provided, however, the provisions of Section 10.5 of the Plan shall not prevent any Person from taking action in the Bankruptcy Court to enforce their rights under and in accordance with the Plan.

G. THE CREDITOR OVERSIGHT COMMITTEE

1. Procedures and Rules

On the Effective Date, the Creditor Oversight Committee shall be created and established. The initial members of the Creditor Oversight Committee shall be former members of the Creditors Committee. The formation of the Creditor Oversight Committee shall be effective as of the Effective Date. The Creditor Oversight Committee shall be subject to the following requirements:

- (a) In the event of the death or resignation of any member of the Creditor Oversight Committee, the remaining members of the Creditor Oversight Committee shall have the right to designate a successor from among the Holders of Allowed Unsecured Claims;
- (b) If an Creditor Oversight Committee member assigns its Claim or releases the Debtor from payment of the balance of its Claim, such act shall constitute a resignation from the Creditor Oversight Committee. Until a vacancy on the Creditor Oversight Committee is filled, the Creditor Oversight Committee shall function in its reduced number; and
- (c) The Creditor Oversight Committee shall not be entitled to authorize or take any action contrary to the provisions of the Plan or the Confirmation Order.

2. Retention of Counsel and Financial Advisor.

The Creditor Oversight Committee may retain counsel and a financial advisor, and the reasonable fees and expenses of such counsel and financial advisor shall be paid out of the Retained Proceeds upon submission of monthly fee statements to the Distributing Agent, without the necessity of obtaining any approval from the Bankruptcy Court or providing notice to any party in interest with respect to such retention or payment.

3. Limited Liability.

Neither the Creditor Oversight Committee nor any of its members, counsel or financial advisor shall be liable for any act, omission, default or misconduct of any other members of the Creditor Oversight Committee nor shall any member be liable for anything other than such member's own acts or omissions as constitute willful misconduct or gross negligence in the performance of its duties. Each member of the Creditor Oversight Committee shall be indemnified and held harmless by the Estates from and against any expenses (including the reasonable fees and expenses of counsel), damages, liabilities, claims or losses incurred or suffered by such member in connection with any claim or demand which in any way arises out of or relates to the Plan or the services of such member under the Plan; provided, however, if any member of the Creditor Oversight Committee is determined to be guilty of defalcation, misappropriation, fraud or gross negligence by a Final Order of a court of competent jurisdiction, then such member shall bear all losses, damages and expenses arising as a result of such defalcation, misappropriation, fraud or gross negligence.

4. Authority.

Consistent with the terms of the Plan, the Creditor Oversight Committee shall have the authority to review the activities of the Distribution Agent. This oversight role includes the ability of the Creditor Oversight Committee to, among other things, object to settlements, sales of assets, and applications for compensation, and to seek to bring Causes of Action, after obtaining approval of the Bankruptcy Court, if the Distribution Agent states in writing that he will not bring such Causes of Action. The Creditor Oversight Committee shall have authority to seek to remove and replace the Distribution Agent for good cause shown; provided, however, any removal or replacement of the Distribution Agent shall require approval of the Bankruptcy Court following Designated Notice and the removal or replacement of the Distribution Agent shall not be effective unless the Distribution Agent shall have received at least thirty (30) days' advance written notice of such proposed removal or replacement.

5. Reporting.

The Distribution Agent shall submit such reports as it deems reasonable and necessary to the Creditor Oversight Committee. The Distribution Agent shall also promptly report to the Creditor Oversight Committee, at the reasonable request of the chairperson of the Creditor Oversight Committee or a professional retained by the Creditor Oversight Committee, on any matter that reasonably relates to the post-Effective Date administration of the Estates or Distributions under the Plan.

6. Reimbursement.

Each member of the Creditor Oversight Committee will serve without compensation but the Distribution Agent shall reimburse each member of the Creditor Oversight Committee for its reasonable out-of-pocket expenses.

7. Dissolution.

The Creditor Oversight Committee shall dissolve (permanently and automatically) and each member of the Creditor Oversight Committee shall be discharged of its duties and responsibilities under the Plan upon the Final Distribution Date.

H. MISCELLANEOUS PLAN PROVISIONS

1. Modification of Plan

The Debtors may modify the Plan pursuant to section 1127 of the Bankruptcy Code and as provided in the Plan, to the extent applicable law permits. The Debtors may modify the Plan in accordance with Section 14.1 of the Plan, before or after confirmation, or after such notice and hearing as the Bankruptcy Court deems appropriate, if the Bankruptcy Court finds that the modification does not materially and adversely affect the rights of any parties in interest which have not had notice and an opportunity to be heard with regard thereto. In the event of any modification on or before confirmation, any votes to accept or reject the Plan shall be deemed to

be votes to accept or reject the Plan as modified, unless the Bankruptcy Court finds that the modification materially and adversely affects the rights of parties in interest which have cast said votes. The Debtors reserve the right in accordance with section 1127 of the Bankruptcy Code to modify the Plan at any time before the Confirmation Date.

2. Retention of Jurisdiction

The Plan provides that subsequent to the Effective Date, the Bankruptcy Court shall have or retain jurisdiction for the following purposes:

- (a) To adjudicate objections concerning the allowance, priority or classification of Claims and any subordination thereof, and to establish a date or dates by which objections to Claims must be filed to the extent not established in the Plan;
- (b) To liquidate the amount of any disputed, contingent or unliquidated Claim, to estimate the amount of any disputed, contingent or unliquidated Claim, and to establish the amount of any reserve required to be withheld from any Distribution under the Plan on account of any disputed, contingent or unliquidated Claim;
- (c) To resolve all matters related to the rejection, or assumption and/or assignment, of any Executory Contract or Unexpired Lease of the Debtors;
- (d) To hear and rule upon all Causes of Action and Avoidance Actions commenced and/or pursued by the Debtors, the Distribution Agent and/or the Creditor Oversight Committee;
- (e) To hear and rule upon all applications for Professional Compensation;
- (f) To remedy any defect or omission or reconcile any inconsistency in the Plan, as may be necessary to carry out the intent and purpose of the Plan;
- (g) To construe or interpret any provisions in the Plan and to issue such orders as may be necessary for the implementation, execution, and consummation of the Plan, to the extent authorized by the Bankruptcy Code;
- (h) To hear, rule upon and enter orders approving any sales of Assets (including, without limitation, sales of fee owned real property and the assumption and assignment of real property leases) by Debtors after the Effective Date;
- (i) To adjudicate controversies arising out of the administration of the Estates or the implementation of the Plan, including any disputes that may arise between the Distribution Agent and the Creditor Oversight Committee;
- (j) To make such determinations and enter such orders as may be necessary to effectuate all the terms and conditions of the Plan, including the Distribution of funds from the Estates and the payment of Claims and Interests;

- (k) To determine any suit or proceeding brought by the Debtors and/or the Distribution Agent to recover property under any provisions of the Bankruptcy Code;
- (l) To hear and determine any tax disputes concerning the Debtors and to determine and declare any tax effects under the Plan;
- (m) To hear, rule upon and enter orders regarding any disputes, controversies or other matters relating to or arising under the Asset Purchase Agreement and/or the Debtors' rights thereunder;
- (n) To determine such other matters as may be provided for in the Plan or the Confirmation Order or as may be authorized by or under the provisions of the Bankruptcy Code;
- (o) To determine any controversies, actions or disputes that may arise under the provisions of the Plan, or the rights, duties or obligations of any Person under the provisions of the Plan;
- (p) To adjudicate any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of, or in connection with, any agreement pursuant to which the Debtors sold any of their assets during the Bankruptcy Cases; and
- (q) To enter a final decree.

3. Dissolution of Creditors' Committee

The Committee shall be dissolved and shall not continue to exist following the Effective Date, except for the limited purpose of filing any fee applications.

XII.

CONFIRMATION AND CONSUMMATION PROCEDURE

A. GENERAL INFORMATION

All Holders of Claims or Interests that are impaired by the Plan may cast their votes for or against the Plan. As a condition to confirmation of the Plan, the Bankruptcy Code requires that one Class of Impaired Claims votes to accept the Plan. Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a Class of Impaired Claims as acceptance by Holders of at least two-thirds of the dollar amount of the class *and* by more than one-half in number of Claims. Holders of Claims or Interests who fail to vote are not counted as either accepting or rejecting a plan. Voting is accomplished by completing, dating, signing and returning the ballot form (the "Ballot") by the Voting Deadline. Ballots will be distributed to all creditors and Holders of Allowed Interests entitled to vote on the Plan as part of the Solicitation Package accompanying the Disclosure Statement. The Ballot indicates (i) where the Ballot is to be filed and (ii) the deadline by which creditors must return their Ballots. See Section I.C. of this Disclosure Statement for a more detailed explanation of who will receive Ballots and the voting procedures.

B. SOLICITATION OF ACCEPTANCES

This Disclosure Statement has been approved by the Bankruptcy Court as containing “adequate information” to permit creditors and equity interest holders to make an informed decision whether to accept or reject the Plan. Under the Bankruptcy Code, your acceptance of the Plan may not be solicited unless you receive a copy of this Disclosure Statement prior to, or concurrently with, such solicitation.

C. ACCEPTANCES NECESSARY TO CONFIRM THE PLAN

At the Confirmation Hearing, the Bankruptcy Court shall determine, among other things, whether the Plan has been accepted. Classes 3(a) and 3(b) and Class 4 will be deemed to accept the Plan if at least two-thirds in amount and more than one-half in number of the Claims in such Classes vote to accept the Plan. Class 5 and Class 6 will be deemed to have accepted the Plan. Furthermore, unless there is unanimous acceptance of the Plan by Classes 3(a), 3(b), and 4, the Bankruptcy Court must also determine that any non-accepting Class members will receive property with a value, as of the Effective Date of the Plan, that is not less than the amount that such Class member would receive or retain if the Debtors were liquidated as of the Effective Date of the Plan under Chapter 7 of the Bankruptcy Code.

D. CONSIDERATIONS RELEVANT TO ACCEPTANCE OF THE PLAN

The Debtors’ recommendation that all creditors and equity interest holders should vote to accept the Plan is premised upon the Debtors’ view that the Plan is preferable to other alternatives for liquidation of the Debtors’ Estates.

E. LIQUIDATION ANALYSIS

Both the Plan and the distribution provisions of Chapter 7 contemplate the distribution of the asset proceeds of the Debtors’ estates. The difference between the distribution under the Plan and under Chapter 7 would primarily result from the incremental expense of a Chapter 7 Trustee (estimated to be \$300,000) and the inherent costs that would be caused by a Chapter 7 proceeding (estimated to be \$300,000). There would also be a time lag in distributions to creditors. Also, there may be new claims filed against the Debtors based on the new claims bar date arising from converting the case to Chapter 7. In addition, the creditors and interest holders in MFM Delaware may have an NOL to be utilized which would not be present in a Chapter 7 case of MFM Delaware. Accordingly, the Debtors believe that the value of the distributions to be received under the Plan would necessarily exceed the value of the distributions received through a Chapter 7 proceeding. See also Article XIII hereof.

XIII.

**ALTERNATIVES TO CONFIRMATION AND
CONSUMMATION OF THE PLAN**

The Debtors have analyzed whether a liquidation of their remaining Assets by a Chapter 7 trustee would result in a higher return to the creditors and equity interest holders of the Estates than an orderly liquidation by the Debtors and the Distribution Agent. Conversion to Chapter 7

would likely delay the Distributions to Holders of Claims and Interests under the Plan. In a Chapter 7 case, a trustee would be appointed or elected and would require additional time to become familiar with the Debtors' financial affairs. Moreover, a new bar date would be set for the filing of Claims against the Debtors. Under section 326(a) of the Bankruptcy Code, a Chapter 7 trustee would be entitled to compensation based upon a percentage of all funds distributed in the case to parties in interest. In addition, the Chapter 7 trustee would be authorized to hire professionals to assist the trustee in the administration of the chapter 7 estates and the costs and expenses of such professionals that are allowed would be additional Administrative Expense Claims against the Estate. Accordingly, the Debtors believe that a Chapter 7 liquidation would result in substantial diminution in the value to be realized by Holders of Allowed Claims and Holders of Allowed Interests because:

1. any successor Chapter 7 trustee will not have the relevant knowledge of the Debtors' remaining Assets that will be necessary to maximize the proceeds therefrom; and
2. the substantial additional Administrative Expenses that will be required in order to compensate the Chapter 7 trustee and for a Chapter 7 trustee to retain new attorneys, accountants, and other professionals who are unfamiliar with the Bankruptcy Cases and for such new professionals to familiarize themselves with the Claims against the Estates.
3. the inherent delay in distributions which are typical in a Chapter 7 is not present in a confirmed plan where there are regularized distributions.
4. a new bar date could lead to more Claims being filed against the Debtors.

Consequently, the Debtors believe that the Plan, which provides for collection and distribution of the Debtors' Assets by individuals familiar with the Debtors and their Bankruptcy Cases, provides a substantially greater return to Holders of Claims and Holders of Interests than would liquidation by a new Chapter 7 trustee who is unfamiliar with these Bankruptcy Cases and the Debtors.

XIV.

CERTAIN RISK FACTORS TO CONSIDER

The following disclosures are not intended to be inclusive and should be read in connection with the other disclosures contained in this Disclosure Statement and the Exhibits hereto. You should consult your legal, financial, and tax advisors regarding the risks associated with the Plan and the distributions you may receive thereunder.

Claims Estimation: There can be no assurance that the estimated Claim amounts assumed for the purposes of preparing the Plan are correct. The actual amount of Allowed Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual Allowed amount of Claims may vary from those estimated for the purpose of preparing the Plan.

Depending on the outcome of claims objections and various other factors, the estimated recovery percentages provided in this Disclosure Statement may be different than the actual recovery percentages that are realized under the Plan.

XV.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

THE DEBTORS HAVE NOT SOUGHT OR OBTAINED ANY RULING FROM THE INTERNAL REVENUE SERVICE OR FROM ANY OTHER TAXING AUTHORITY WITH RESPECT TO ANY OF THE TAX CONSEQUENCES OF THE PLAN, NOR HAVE THE DEBTORS SOUGHT OR OBTAINED AN OPINION OF COUNSEL WITH RESPECT TO ANY SUCH TAX CONSEQUENCES. NO REPRESENTATIONS OR ASSURANCES ARE MADE WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN. BECAUSE THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND MAY VARY BASED ON INDIVIDUAL CIRCUMSTANCES, EACH CREDITOR AND EQUITY INTEREST HOLDER SHOULD CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF ANY ASPECT OF THE PLAN WITH RESPECT TO SUCH CREDITOR OR EQUITY INTEREST HOLDER.

MFM DELAWARE MAY HAVE NET OPERATING LOSS CARRY FORWARD IN THE APPROXIMATE AMOUNT OF \$10 MILLION. AT THIS POINT, IT IS UNCLEAR AS TO THE AMOUNT OF THE NET OPERATING LOSS, AND WHETHER IT CAN BE PRESERVED BY VIRTUE OF THE PLAN. IF MFM DELAWARE DETERMINES THAT IT HAS A NET OPERATING LOSS THAT IS WORTH PRESERVING, THE CREDITORS OF MFM DELAWARE WILL BE REQUIRED TO CONVERT THEIR CLAIMS (AFTER RECEIPT OF ALL PAYMENTS TO BE MADE UNDER THE PLAN TO THEM) TO EQUITY OF MFM DELAWARE IN ORDER TO PRESERVE THE NOL.

XVI.

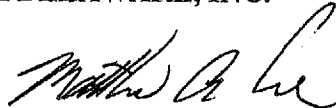
RECOMMENDATION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all Holders of Claims in Classes 3(a), 3(b), 4(a) and 4(b) to vote to ACCEPT the Plan, and to complete and return their Ballots so that they will be RECEIVED on or before April 10, 2014 at 4:00 p.m. local time in Wilmington, Delaware.

Dated this 3rd day of March, 2014.

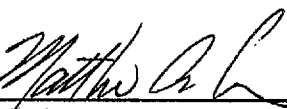
Respectfully submitted,

MFMD DELAWARE, INC.

By: 

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President and CEO

MFMD INDUSTRIES, INC.

By: 

Matthew A. Crane
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/s/ Frederick B. Rosner

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