IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re METAMORPHIX, INC. and MMI GENOMICS, INC., Debtors.	Chapter 11 Case Nos. 10-10273 (MFW), *et seq.* (jointly administered)

DISCLOSURE STATEMENT REGARDING
DEBTORS' PLAN OF REORGANIZATION

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THIS IS A SOLICITATION BY METAMORPHIX, INC. AND MMI GENOMICS, INC., THE DEBTORS IN THESE CHAPTER 11 CASES, AND IS NOT A SOLICITATION BY THEM, THEIR ATTORNEYS, OR THEIR OTHER PROFESSIONAL ADVISORS. INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT.

PLEASE NOTE: This proposal has not yet been approved by the Bankruptcy Court and should not be used for any purpose at this time.

1. INTRODUCTION

A. Purpose of this Disclosure Statement

This Disclosure Statement has been prepared to comply with § 1125 of the Bankruptcy Code. It is intended to accompany and explain the Debtors' Plan of Reorganization (the "Plan") which has been filed by MetaMorphix, Inc. ("MMI") and MMI Genomics, Inc. ("MMIG," and collectively with MMI, the "Debtors") contemporaneously herewith and attached hereto as **Exhibit A**. Capitalized terms not otherwise defined herein have the meanings ascribed to such terms in the Plan.

This Disclosure Statement summarizes what is in the Plan and provides certain information relating to the Plan and the process that the Court follows in determining whether or not to confirm the Plan. Holders of Claims or Interests receiving this Disclosure Statement and all other interested parties should carefully review the Plan in conjunction with their review of this Disclosure Statement.

The Plan to which this Disclosure Statement relates is the product of vigorous arms-length negotiations between and among the Debtors and various stakeholders and their representatives.

PLEASE NOTE THAT MUCH OF THE INFORMATION CONTAINED HEREIN HAS BEEN TAKEN, IN WHOLE OR IN PART, FROM INFORMATION CONTAINED IN THE DEBTORS' BOOKS AND RECORDS. ALTHOUGH THE DEBTORS HAVE ATTEMPTED TO BE ACCURATE IN ALL MATERIAL RESPECTS, IT IS UNABLE TO WARRANT OR REPRESENT THAT ALL OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS WITHOUT ERROR.

This Disclosure Statement cannot tell you everything about your rights. You should consult your own lawyer to obtain more specific advice on how the Plan will affect you and what is the best course of action for you.

Be sure to read the Plan as well as the Disclosure Statement. If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.

NO REPRESENTATION CONCERNING THE DEBTORS OR THE VALUE OF THE DEBTORS' ASSETS HAS BEEN AUTHORIZED BY THE BANKRUPTCY COURT OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT OR ANY OTHER DISCLOSURE STATEMENT THAT MAY HEREAFTER BE APPROVED BY THE BANKRUPTCY COURT. THE DEBTORS ARE NOT RESPONSIBLE FOR ANY INFORMATION, REPRESENTATION, OR INDUCEMENT MADE TO OBTAIN YOUR ACCEPTANCE WHICH IS OTHER THAN, OR INCONSISTENT WITH, INFORMATION CONTAINED HEREIN AND IN THE PLAN. THIS DISCLOSURE STATEMENT SHALL NOT BE CONSIDERED AN ADMISSION OF THE DEBTORS OR ANY OTHER PERSON, APPROVED OF THE COURT SHALL CONSTITUTE ONLY A DETERMINATION OF ADEQUATE INFORMATION IN CONNECTION WITH THE SOLICITATON OF THE PLAN FOR CONFIRMATION.

The Bankruptcy Code requires a Disclosure Statement to contain "adequate information" concerning the Plan. The Bankruptcy Court has approved this document as an adequate

Disclosure Statement, containing enough information to enable parties affected by the Plan to make an informed judgment about the Plan. Any party can now solicit votes for or against the Plan.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND FED. R. BANKR. P. 3016(B) AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING SECURITIES OF OR CLAIMS AGAINST THE DEBTORS IN THE CHAPTER 11 CASES SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED. THE DEBTORS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS.

B. Overview of the Plan

The Plan places Claims and Interests into Classes. These Classes take into account the differing nature of the underlying liability for the Claims and Interests and the relative priority of Claims under the Bankruptcy Code.

The following table (the "Plan Summary Table") summarizes the classification and treatment of Claims and Equity Interests under the Plan (including unclassified Claims), as well as the Debtors' high estimate of the percentage recovery, if any, for holders of Allowed Claims. **THE PLAN SUMMARY TABLE IS INTENDED FOR ILLUSTRATIVE PURPOSES ONLY AND DOES NOT ADDRESS ALL ISSUES REGARDING CLASSIFICATION, TREATMENT, AND ULTIMATE RECOVERIES. THE PLAN SUMMARY TABLE IS NOT A SUBSTITUTE FOR A FULL REVIEW OF THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY.**

The percentage recovery for each Class in the Plan Summary Table is based on the Debtors' good-faith high estimate, based on their current knowledge, of (i) the amount of Claims

against Debtors that may ultimately be Allowed,[1] and (ii) the amount of Cash that will be available for distribution to holders of Allowed Claims. The actual amounts of Allowed Claims against Debtors and Cash available for distribution to creditors could vary materially from the Debtors' estimates, and the actual percentage recoveries for creditors will necessarily depend upon the actual amounts of Allowed Claims and the expenses of the Reorganized Debtor. Further, notwithstanding anything to the contrary in the Disclosure Statement, Plan, or in any documents or filings related thereto, all provisions hereof are expressly made subject to Debtors' rights of setoff and recoupment, including without limitation the right to setoff or recoup claims in favor of Debtors as against a holder of an Allowed Claim against the distribution to which such holder might be entitled on account of its Allowed Claim under the Plan.

For the foregoing reasons, the Debtors cannot represent (and are not representing) that the Debtors will distribute the percentage recoveries set forth in the Plan Summary Table or otherwise to holders of Allowed Claims. **ALL ESTIMATES CONTAINED HEREIN ARE SUBJECT TO RISKS AND ASSUMPTIONS. MOREOVER, THESE ESTIMATES ARE SUBJECT TO MATERIAL REVISION. THEY SHOULD NOT BE CONSIDERED A REPRESENTATION OF ACTUAL DISTRIBUTIONS TO CREDITORS.**

THE TREATMENT AND DISTRIBUTIONS, IF ANY, PROVIDED TO HOLDERS OF EQUITY INTERESTS AND ALLOWED CLAIMS PURSUANT TO THE PLAN WILL BE IN FULL AND COMPLETE SATISFACTION OF ALL LEGAL, EQUITABLE, AND CONTRACTUAL RIGHTS REPRESENTED BY THOSE EQUITY INTERESTS AND ALLOWED CLAIMS.

Summary of Classification and Treatment of Claims and Interests

CLASS	DESCRIPTION	TREATMENT OF ALLOWED CLAIMS WITHIN CLASS	ESTIMATED % RECOVERY
Unclassified	Administrative and Priority Tax Claims	Paid in full, without interest, in Cash, as soon as reasonably practicable after the later of (i) the Effective Date, or (ii) thirty (30) days after such it becomes an Allowed Claim.	100%

[1] Estimated amounts of an Allowed Claims do not constitute an admission by the Debtors or any other party as to the validity or amount of any particular Claim. The Debtors reserve the right to dispute the validity or amount of any Claim.

CLASS	DESCRIPTION	TREATMENT OF ALLOWED CLAIMS WITHIN CLASS	ESTIMATED % RECOVERY
Class 1	Secured Claims, other than Secured Note Claims.	In the Reorganized Debtor's discretion, holders of Allowed Class 1 Claims will receive (i) the property of the Estates (and only to the extent of the Estates' interest in same) that constitutes collateral on the later of the Effective Date and the date such Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter; (ii) Cash in a dollar amount equal to the value of the collateral as of the Petition Date or the Effective Date (whichever is less) on the later of 30 days after the Effective Date under this Plan and the date such Claim becomes an Allowed Claim.	100%
Class 2	Priority Unsecured Claims	Each Holder of an Allowed Priority Unsecured Claim will receive an amount equal to 95% of the unpaid amount of such Allowed Priority Unsecured Claim, in Cash, without interest, on or as soon as soon as reasonably practicable after the later of (A) the Effective Date, or (B) thirty (30) days after such Class 2 Claim becomes an Allowed Claim	95%
Class 3	Senior Note Claims	Each Holder of an Allowed Class 3 Claim shall receive on account of such Claim (i) a Pro Rata Share of the Series A Preferred Stock, on or as soon as soon as reasonably practicable after the later of (A) the Effective Date, or (B) thirty (30) days after such Class 3 Claim becomes an Allowed Claim; and (ii) a Cash distribution, not to exceed $100,000 in the aggregate less amounts previously reimbursed, for reimbursement of professional fees.	Cash value unknown
Class 4	Junior Note Claims	Each Holder of an Allowed Class 4 Claim shall receive on account of such Claim (i) a Pro Rata Share of the Series A Common Stock, on or as soon as soon as reasonably practicable after the later of (A) the Effective Date, or (B) thirty (30) days after such Class 4 Claim becomes an Allowed Claim; and (ii) a Cash distribution, not to exceed $100,000 in the aggregate less amounts previously reimbursed, for reimbursement of professional fees.	Cash value unknown

CLASS	DESCRIPTION	TREATMENT OF ALLOWED CLAIMS WITHIN CLASS	ESTIMATED % RECOVERY
Class 5	General Unsecured Claims	Each Holder of an Allowed Class 5 Claim shall receive on account of such Claim a Pro Rata Share of the Series B Common Stock, on or as soon as soon as reasonably practicable after the later of (A) the Effective Date, or (B) thirty (30) days after such Class 5 Claim becomes an Allowed Claim.	Cash value unknown
Class 6	Convenience Claims	On or as soon as soon as reasonably practicable after the later of (A) the Effective Date, or (B) thirty (30) days after such Class 6 Claim becomes an Allowed Claim, each holder of an Allowed Class 6 Claim shall be paid 10% of its Allowed Convenience Claim in Cash in full satisfaction of such Claim.	10%
Class 7	Interests in the Debtors	On the Effective Date, each Holder of a Class 7 Interest shall not be entitled to, and shall not receive or retain any property or interest in property on account of, such Class 7 Interest.	0%

The Debtors have also prepared a liquidation analysis, attached hereto as **Exhibit B**, which provides their projection of the sources and amounts of estimated proceeds that will be available for distribution under the Plan as well as in a hypothetical Chapter 7 liquidation. The liquidation analysis is not a guarantee of distributions in any amount.

The foregoing, including but not limited to the liquidation analysis, is only a brief summary of certain provisions of the Plan. You should read the full text of the Plan and the more detailed information and financial statements contained elsewhere in this Disclosure Statement.

C. Confirmation of Plan

(1) **Requirements**. The requirements for Confirmation of the Plan are set forth in detail in § 1129 of the Bankruptcy Code. The following summarizes some of the pertinent requirements:

(a) **Acceptance by Impaired Classes.** Except to the extent that the cramdown provisions of § 1129(b) of the Bankruptcy Code may be invoked, each Class of Claims and each Class of Interests must either vote to accept the Plan or be deemed to accept the Plan because the Claims or Interests of such Class are either not Impaired or are fully Impaired such that they will receive no distribution.

(b) **Feasibility.** The Bankruptcy Court is required to find that the Plan is likely to be implemented and that parties required to perform or pay monies under the Plan will be able to do so.

(c) **"Best Interest" Test.** The Bankruptcy Court must find that the Plan is in the "best interest" of all Creditors. To satisfy this requirement, the Bankruptcy Court must determine that each Holder of a Claim against, or Interest in, the Debtors: (i) has accepted the Plan; or (ii) will receive or retain under the Plan money or other property which, as of the Effective Date, has a value not less than the amount such Holder would receive if the Debtors' property was liquidated under Chapter 7 of the Bankruptcy Code on such date.

(d) **"Cramdown" Provisions**. Under the circumstances which are set forth in detail in § 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm the Plan even though a Class of Claims or Interests has not accepted the Plan, so long as one Impaired Class of Claims has accepted the Plan, excluding the votes of Insiders, if the Plan is fair and equitable and does not discriminate unfairly against such non-accepting Classes. The Debtors will invoke the "cramdown" provisions of § 1129(b) of the Bankruptcy Code should any voting Class fail to accept the Plan.

(2) **Effect of Confirmation**. Except as otherwise provided in the Plan or in the Confirmation Order, Confirmation vests title to property of the Debtors' Estates in the Liquidation Trust, free and clear of all Claims and liens of Creditors, subject to the provisions of the Plan. Confirmation serves to make the Plan binding upon the Debtors, all Creditors, Interest holders and other parties-in-interest, regardless of whether they cast a Ballot to accept or reject the Plan. Where this Disclosure Statement refers to actions by the Debtors, those actions shall be carried out by the Debtors if contemplated to occur before the Effective Date, and by the Reorganized Debtor if contemplated to occur on or after the Effective Date. This is because on the Effective Date, the Reorganized Debtor shall be the sole representative of, and shall act for, the Debtors.

C. Voting on the Plan.

The Court has entered, or shall have entered by the date of solicitation of the Plan, an order establishing voting and solicitation procedures, summarized below. Parties voting on the Plan should review that order, and in the case of any inconsistency, the terms of that order shall govern.

Impaired Claims or Interest. Pursuant to § 1126 of the Bankruptcy Code, only the Holders of Claims or Interests in Classes that are "Impaired" by the Plan may vote on the Plan. Pursuant to § 1124 of the Bankruptcy Code, a Class of Claims or Interests may be "Impaired" if the Plan alters the legal, equitable or contractual rights of the Holders of such Claims or Interests treated in such Class. The Holders of Claims or Interests not Impaired by the Plan are deemed to accept the Plan and do not have the right to vote on the Plan. The Holders of Claims or Interests in any Class which will not receive any payment or distribution or retain any property pursuant to the Plan are deemed to reject the Plan and do not have the right to vote. This Disclosure Statement may be distributed for informational purposes to Holders of Claims and Interests and other parties-in-interest without regard to any such party's right to vote.

Eligibility. In order to vote on the Plan, (i) a Creditor and/or Interest holder must have timely filed (or been assigned a timely filed) a proof of claim in connection with its Claim that is not subject to a pending or unresolved objection as of the date of the hearing on confirmation of the Plan; or (ii) its Claim or Interest is scheduled by the Debtors and is not identified as disputed, unliquidated, or contingent on the Debtors' Schedules of Assets and Liabilities (the "Schedules"). Creditors or Interest holders having a Claim or Interest in more

than one Class may vote in each Class in which they hold a separate Claim or Interest by casting a Ballot in each Class.

Binding Effect. Whether a Creditor or Interest holder votes on the Plan or not, such Person will be bound by the terms of the Plan if the Plan is confirmed by the Bankruptcy Court. Absent timely submission of a properly completed and executed Ballot, a Creditor or Interest holder will not be included in the vote: (i) for purposes of accepting or rejecting the Plan or (ii) for purposes of determining the number of Persons voting on the Plan.

Who May Vote. Holders of claims in Classes 2, 3, 4, 5, and 6 may vote to accept or reject the Plan. Class 1 is not Impaired by the Plan and Holders of Claims in Class 1 are therefore deemed to accept the Plan. Holders of Interests in Class 7 will receive no distribution under the Plan and are therefore deemed to reject the Plan. Accordingly, Holders of Claims in Classes 1 and 7 are not entitled to vote on the Plan.

D. Acceptance of the Plan

In order for the Plan to be accepted by an Impaired Class of Claims, a majority in number and two-thirds in dollar amount of the Claims voting (of each Impaired Class of Claims) must vote to accept the Plan, or the Plan must qualify for cramdown of any non-accepting Class pursuant to § 1129(b) of the Bankruptcy Code. At least one Impaired Class of Creditors, excluding the votes of Insiders, must actually vote to accept the Plan. You are urged to complete, date, sign, and promptly deliver the enclosed Ballot to the Balloting Agent. Please be sure to complete the Ballot properly and legibly identify the exact amount of your Claim and the name of the Creditor.

If all Classes do not accept the Plan, but at least one Impaired Class accepts the Plan, excluding the votes of Insiders, the Debtors may attempt to invoke the "cramdown" provisions. Cramdown may be an available remedy because the Debtors believe that, with respect to each Impaired Class, the Plan is fair and equitable within the meaning of § 1129(b)(2) of the Bankruptcy Code and does not discriminate unfairly.

E. Recommendation of Debtors to Approve Plan

The Debtors have approved the solicitation of acceptances of the Plan and all of the transactions contemplated thereby. In light of the benefits to be attained by the Holders of eligible Claims pursuant to consummation of the transactions contemplated by the Plan, the Debtors have reached this decision after considering the alternatives to the Plan that are available to the Debtors and the possible effect on the Debtors' creditors of such alternatives. These alternatives include liquidation under Chapter 7 of the Bankruptcy Code. The Debtors determined that the transactions contemplated in the Plan would likely result in a distribution of greater value to Creditors than would a liquidation under Chapter 7.

THE DEBTORS SUPPORT THE PLAN AND URGE ALL HOLDERS OF ELIGIBLE CLAIMS WHOSE VOTES ARE BEING SOLICITED TO TIMELY SUBMIT BALLOTS TO ACCEPT AND SUPPORT THE PLAN.

F. Amendments to the Plan

The Debtors reserve the right to amend the Plan either before or after the Confirmation Date. Amendments to the Plan that do not materially and adversely affect the treatment of Claims and are consistent with the terms of the Plan may be approved by the Bankruptcy Court

at the hearing on Confirmation without the necessity of resoliciting votes. In the event resolicitation is required, the Debtors will furnish new solicitation packets which shall include new Ballots to be used to vote to accept or reject the Plan, as amended.

2. THE DEBTORS

A. Description and History of the Debtors' Business.

MMI directly owns or controls four subsidiaries: (i) MMIG, (ii) MetaMorphix Holdings, Inc., (iii) Metamorphix International, Inc., and (iv) Metamorphix Canada, Inc. MMI and MMIG are the only operating entities among this family of affiliates.

Founded in 1994, MMI is a Delaware corporation with its principal office in Beltsville, Maryland. MMI is a life sciences company that uses DNA technology to improve the global food supply and human health. MMIG, a wholly owned subsidiary of MMI, is a leader in providing DNA analytical services to canine and cattle breed registries. MMIG is the principal DNA analytical service provider for the American Kennel Club and the United Kennel Club, the two largest canine breed registrations in the United States. The Debtors have two technology platforms, growth & differentiation factors (GDFs) and animal genomics that have the potential to substantially improve livestock quality, increase production efficiency and to improve companion animal health.

The Debtors' first platform technology focused on the development of Growth & Differentiation Factor ("GDF"), which was licensed from Johns Hopkins University ("JHU") by MMI's scientific founder, Dr. Sae Jin Lee, a world-renowned scientist at JHU. GDF is currently in the research and development stage. MMI's GDF business is Myostatin, a regulator of skeletal muscle. Myostatin is being pursued for both human therapeutic and animal health opportunities. Phase I/II human clinical trials were completed and demonstrated a positive biological effect in muscular dystrophy patients. Other diseases in which Myostatin inhibitors may be effective are muscle wasting (Cachexia), Sarcopenia (age-related loss of muscle), Osteoporosis (loss of bone strength), Lou Gehrig's disease (ALS) and metabolic diseases such as Type II Diabetes and Obesity. MMI is also pursuing opportunities for Myostatin in aquaculture.

The Debtors' second platform technology, animal genomics, is based on MMIG's proprietary GENIUS – Whole Genome System™, which is being used to develop genetic tests that can predict whether animals have the genetic potential to express traits of interest. In beef cattle, the Debtors and Cargill, Inc. a leading beef processor and feedlot operator, have developed genetic tests which allow feedlot operators to better manage their operations in terms of improving beef quality and increasing production efficiency. In swine, the Debtors licensed the GENIUS – Whole Genome System™ to Monsanto, which later sold this business to Newsham Choice Genetics, a leading swine breeder, which has already developed and is commercializing superior swine breeds, using this licensed technology. In chicken, the Debtors are collaborating with Hubbard S.A.S., a leading international chicken breeding company, to develop predictive genetic tests to improve production efficiency, increase disease resistance, and improve meat quality traits. The Debtors' genomic technology also has applications in companion animals. In 2007, the Debtors began selling its Canine Heritage™ Breed Test, which

genetically determines the breed composition of mixed breed dogs. The Canine Heritage Breed Test (CHBT) has received national media attention having been featured in segments on NBC's Today Show, The Early Show on CBS and in People Magazine.

As result of research and acquisitions, MMI has 35 issued U.S. patents and 73 pending U.S. patents, including exclusive access to high-density, genome-wide Single Nucleotide Polymorphism (SNP) maps for three major livestock species and for canines, and exclusive access to Celera Genomics Group's genomic database and bioinformatic system for comparative genomics.

The Debtors have developed partnerships and contracts with industry leaders in the commercial food and pet markets. With its genomic technology, MMI has or has had exclusive commercial agreements with such companies as: Cargill, Inc. the world's second largest beef processor and feedlot operator; Newsham Choice Genetics, a leading world swine breeder; Hubbard S.A.S., a world leader in chicken breeding, PETCO, a leading mass retailer of pet products, the American Kennel Club (AKC) the largest breed registry for canines, and Petfinder.com, the largest website for shelter dogs. With its Myostatin technology, MMI has collaborative agreements with the world's two leading chicken processors, Tyson Foods and Pilgrim's Pride, and a joint venture with Willmar Poultry, a leader in the turkey industry. Pfizer Pharmaceuticals has exclusive rights for all human applications of MMI's GDFs.

During these Chapter 11 cases, the Debtors' business operations continued to progress. Specifically, they entered into an agreement with PrimeBeefMarker, LLC ("PrimeMarker"), whereby MMI granted certain licenses to PrimeMarker to market and resell MMI's genotyping tests to the beef cattle industry in North America. Moreover, the Debtors also entered into an agreement with BeefTek, Inc. ("BeefTek") (which succeeded to the rights of BT Selection, LLC by operation of merger), pursuant to which MMI licensed certain of its intellectual property rights in genomics testing technology and services to BeefTek. This licensing agreement grants BeefTek the right to use certain of the Debtors' proprietary technology in connection with the identification of certain traits and characteristics in certain applications for beef cattle.

The Debtors have multiple sources of revenue deriving from provision of genetics testing, genomic services, and royalties and licenses from patents. For the first half of 2009, MMI's revenues averaged approximately $900,000 per month. In October 2009, however, the Debtors experienced a significant drop in monthly revenues, to approximately $345,000, due to the termination of certain relationships with Cargill, as discussed below. The Debtors anticipate revenues will return by late 2011 to an average monthly stream close to that of the first half of 2009, due to new contracts the Debtors have secured to replace their business with Cargill.

B. Debtors' Prepetition Debt Structure.

Over the past ten years, the Debtors issued a series of convertible debt notes, some of which were converted into equity and others of which were not. Specifically, between 1999 and 2002, MMI issued $14,760,518 in convertible 10.9% secured notes (the "10.9% Notes"). A portion of the 10.9% Notes was converted into common stock in 2003. Subsequently, in 2004, the holders converted a portion of the 10.9% Notes into Series F Preferred stock. In connection therewith, MMI issued warrants for the purchase of common stock that mature in 2014.

Between 2001 and 2003, MMI issued $6,305,387 of 8.0% notes (the "8% Notes"). A portion of the 8% Notes was converted into common stock in accordance with the terms of the notes. Another portion was converted into Series F Preferred Stock in December 2004 together with warrants for purchase of common stock that mature in 2014.

In 2005, the majority of any remaining 8% Notes and 10.9% Notes were converted into Series G Preferred Stock. The 8% Notes and 10.9% Notes were previously secured by an insurance bond with Condor Insurance (the "Condor Insurance Bond"). The Condor Insurance Bond was canceled and has never been replaced. As of the MMI Petition Date (as defined below), $117,015 plus $48,403 in interest was outstanding on the 8% Notes. Also as of the MMI Petition Date, $854,343 plus $431,884 in interest was outstanding on the 10.9% Notes. As a result of the cancellation of the Condor Insurance Bond, the outstanding 8% Notes and 10.9% Notes constitute unsecured debts.

In 2003, MMI issued a series of 12% bridge notes (the "12% Notes"). A portion of the 12% Notes were converted into stock and, during 2004, holders of the Series C, D, and E Bridge Notes converted $2,112,500 plus accrued interest into 12.5% convertible secured notes (the "12.5% Notes") in the face amount of $2,203,730 at the time of the 12.5% Notes private placement.

From November 14, 2003 until May 3, 2004, MMI issued the 12.5% Notes, the holders of which are referred to in the Plan as "Senior Noteholders" and the claims arising from which are referred to as Senior Note Claims. The documents that govern the original offering are comprised of the following: (a) a Security Agreement dated November 7, 2003; (b) a Subscription Agreement dated November 14, 2003; (c) a Term Sheet; and (d) UCC-1 financing statements dated December 10, 2003 and a Continuation Statement dated 2008. There are a series of supplemental documents that purport to relate to, or amend, the original offering. Under these documents, the Debtors were permitted to pay interest on 12.5% Notes by issuing additional 12.5% Notes in the amount of the accrued interest ("Interest-Replacement Notes"), which the Debtors did from year to year. The Senior Note Claims were secured by a blanket lien on substantially all of MMI's assets, held by an "agent" as defined under the Security Agreement, and these liens were believed to be senior in priority on the MMI Petition Date. As of the MMI Petition Date, there was approximately $27,567,937 in principal outstanding on the 12.5% Notes, plus $3,567,157 of accrued but unpaid interest. Of the principal outstanding, $12,288,295 of the 12.5% Notes were had been issued as Interest-Replacement Notes in lieu of interest payments previously due on the Notes. The market value of the Debtors' assets is less than the amounts due to the Senior Secured Creditors.

In 2005, MMI issued 10% secured convertible notes, the holders of which are referred to in the Plan as "Junior Noteholders" and the claims arising from which are referred to as Junior Note Claims. The 10% Notes were secured by a junior lien on all of the Debtors' assets and were expected to be converted into common stock upon execution of an IPO, which did not occur. As of the Involuntary Petition Date, approximately $18,352,763 plus interest of $6,532,449 remains outstanding on the 10% Notes.

Together, MMI's outstanding 10% Notes and 12.5% Notes (collectively, the "Secured Notes") total approximately $56 million in principal and interest. Both the 12.5% Notes and the

10% Notes were expected to be converted into common stock upon execution of an IPO, which did not occur. As a consequence of the failed IPO (as discussed below), in December 2008, MMI asked the Holders of such notes to extend their maturity date to January 2010. Over 80% of the Holders (by amount) of 10% Notes and 12.5% Notes currently maturity dates of January 2010 or beyond.

C. Events Leading to Bankruptcy.

The Debtors' need for bankruptcy relief arose for primarily two reasons.

First, as noted above, the Debtors had intended for the Secured Notes to convert into equity, but the conditions triggering that conversion never occurred. To secure sufficient capital to fund operations, in 2008, the Debtors engaged two London-based investment banks to complete an IPO in Europe. These investment banks advised the Debtors that completion of an IPO would require conversion of the 12.5% Notes and the 10% Notes into equity simultaneous with the completion of an IPO. Upon review of the investment documents for these secured convertible notes, the Debtors believe that such conversion would require the consent of a super majority (66 2/3%) by amount of the holders of the 12.5% Notes. The Debtors were able to secure a majority of consents but unable to obtain a super majority from this group before the IPO market deteriorated. Thus, the Debtors were unable to complete the IPO. As a result of the global general economic climate, the capital markets have essentially frozen the ability of most companies to conduct an IPO. With no capital available to fund operations, the Debtors had to operate in a "survival mode" in order to stretch available cash from their operations as far as possible. The Debtors reduced operating expenses to, or below, the minimum required to keep the doors open, worked with vendors and suppliers to delay payments, substantially reduced the salaries of management, and deferred payment of employee salaries and expenses. As of the commencement of these bankruptcy proceedings, the Debtors owed approximately $56 million to the holders of Secured Notes that the Debtors had expected, but was unable, to convert into equity upon a "qualified" liquidity event.

Second, the Debtors' operations generated significant revenues until a setback occurred. MMI and Cargill began a development and commercialization relationship in May 2002 that focused on developing and marketing DNA based predictive tests for desirable traits for the beef cattle industry. This relationship culminated in Cargill's use of the jointly developed predictive tests in all of their feedlot operations generating up to 51% of MMI's revenues. However, on September 30, 2009, the relationship between Cargill and MMI terminated, the result of which was a significant decrease in the Debtors' immediate revenues in the near term. Although the Debtors have new contracts in place that they believe will replace the loss in ongoing revenue from the Cargill relationship, the Debtors project that revenues may not reach the same levels until approximately late 2011.

Commencing in the fall of 2009 and continuing up to the Order for Relief Date, the Debtors have been involved in intense and extensive negotiations with its primary creditors, including various Senior Noteholders and Junior Noteholders, in order to achieve a consensual resolution of the Debtors' financial distress. While a majority of Senior Noteholders and many Junior Noteholders supported an out of court arrangement to address the Debtors' obligations in a realistic and beneficial manner, and to allow the Debtors to restructure out of bankruptcy, a

minority group of Junior Noteholders (the "Petitioning Creditors") were dissatisfied with the progress of the negotiations filed an involuntary petition for bankruptcy relief (the "Involuntary Petition") against MMI on January 28, 2010 (the "MMI Petition Date").

On March 10, 2010, MMI filed an answer to the Involuntary Petition and a motion to suspend the bankruptcy case in order to permit the Debtors to continue their workout negotiations with representatives of the Senior Noteholders and Junior Noteholders. The Debtors reached out to representatives of the Petitioning Creditors and sought to reopen discussions with them in order to reach the broadest and most comprehensive consensus possible on the structure of the Debtors' ultimate restructuring arrangement.

What followed was a series of in-person and telephonic meetings between and among the Debtors and various representatives of the Senior Noteholders and Junior Noteholders, culminating in the near adoption of a term sheet for a proposed Chapter 11 plan. As part of that term sheet, the parties agreed that the Debtors would borrow exit financing in the approximate amount of $2.5 million, secured by a priming blanket lien on the Debtors' assets that would be senior to the claims of the various noteholders. In furtherance of this term, the Debtors obtained preliminary interest from proposed sources of this exit financing from third-party lenders, but certain of the noteholder representatives (the "Dissenting Noteholders")[2] believed that the financing costs were too high and required the Debtors instead to borrow the funds from them instead. After the Debtors declined those third-party lenders' offer to loan funds, however, some of the Dissenting Noteholders that had previously insisted on providing part of the exit financing abruptly reversed their positions and demanded that the Debtors' assets instead be placed into receivership.

It is important to note that the term sheet that had been reached during the negotiations was intended to provide a return to various creditor constituencies, not merely to the Secured Noteholders. For instance, the Debtors had been very clear that without a catch-up payment to the Debtors' employees who had been working for deferred compensation amounting to hundreds of thousands of dollars, there was a very significant risk—if not a near certainty—that the employees would discontinue their employment. The Debtors also license intellectual property from various licensors, who would cut off certain operations of the Debtors if material payments were not made to them. All of the parties to these negotiations, including but not limited to the Dissenting Noteholders, acknowledged the importance of meeting these obligations to prevent a severe loss of value in the Debtors' assets.

The previously agreed term sheet had also provided for the Debtors to obtain interim debtor in possession financing in order to meet their operational and administrative needs during the bankruptcy case. Without bankruptcy protection to prevent creditor action from dismembering the Debtors' assets while they located alternative sources of funding or negotiated a new resolution, the Debtors realized that MMI could not function without bankruptcy relief. Therefore, on September 30, 2010 (the "MMI Petition Date"), the Debtors consented to entry of

[2] Some of the Dissenting Noteholders have changed since they first engaged in negotiations with the Debtors. The most active Dissenting Noteholders appear to be Mark Crossen and Luc Verelst, and/or their affiliates.

bankruptcy relief in response to the Involuntary Petition and sought conversion of the case to a case under Chapter 11 of the Bankruptcy Code.

D. Two Collateral Agents.

During negotiations among the various stakeholders, a dispute came to light in connection with the validity and effectiveness of the Security Agreement with respect to certain Senior Notes, the perfection of any liens securing those notes, and the ability of the holders of those notes to participate in the appointment and replacement of the collateral agent purporting to hold the liens securing their note-related claims. Specifically, the parties adopting the dispute—specifically, the Dissenting Noteholders—asserted that only the first $5 million in principal of such Senior Notes (the "Alleged First Tranche") were secured by the collateral set forth in the Security Agreement, that only such security interests were perfected in accordance with the financing statement filed in connection with that offering, and that only the holders of the Alleged First Tranche were entitled to appoint or replace a collateral agent.

Seeing an opportunity to expand their position by excluding most of the Senior Noteholders, certain of the holders of notes in the Alleged First Tranche purported to appoint their own collateral agent, an individual named Christopher Paxos ("Paxos"). Paxos had allegedly been appointed by a majority of the holders of notes in the Alleged First Tranche but not by a majority of the holders of Senior Notes. Realizing that the other creditor constituencies had not formally organized at that stage, Paxos filed a motion for relief from the automatic stay before the Bankruptcy Court could even hold a hearing on the Involuntary Petition, seeking to place the Debtors' assets into a non-bankruptcy receivership. Paxos also filed a motion to dismiss MMI's Chapter 11 case (collectively with the motion for relief from stay, the "Paxos Motions"). The purpose of the Paxos Motions was to conduct a fire sale of the Debtors' assets with no marketing, in which Paxos would bid the the Alleged First Tranche's roughly $5 million in principal debt to purchase the assets. Having acquired the assets, Paxos would then conduct an orderly marketing of the Debtors' assets and keep the equity on behalf of that small group of noteholders, most of which are Dissenting Noteholders. In other words, to the extent that that the Debtors' assets yielded greater than the amounts of their debts, they would be entitled to keep the balance instead of sharing it with the other Senior Noteholders and other creditors of the Debtors.

Once the other Senior Noteholders realized that Paxos was attempting to seize their collateral and realize its value without sharing it ratably, they moved quickly to appoint a collateral agent, Frederick Voelker ("Voelker"), to hold the liens securing all of the Senior Notes. Voelker asserted that Paxos lacked authority and standing to act on the Senior Noteholders' behalf, and the issue was reserved for trial on the Paxos Motions. In response to the Paxos Motions, the Debtors observed the existence of the dispute but took no position on how the dispute should be resolved. During the weeks before the hearing on the Paxos Motions, the Debtors provided Paxos with thousands of pages of documents and the parties conducted three depositions.

Immediately prior to the hearing on the Paxos Motions, Paxos and the Debtors agreed to adjourn the hearing in order to facilitate possible settlement discussions, in which a proposed

plan structure was reduced to writing. The parties also agreed to various other conditions for the adjournment.

After the adjournment, the Debtors sent Paxos a proposed plan term sheet consistent with the proposed plan structure that had been circulated with the consent to the adjournment. Paxos responded about a week later with a proposal so different that it became clear that he was not willing to entertain a settlement in accordance with the structure previously agreed.

Unfortunately for the Debtors, it appears that Paxos used the information obtained from discovery not merely to prepare his case in support of the Paxos Motions but also in order to conduct a surreptitious takeover of Voelker's asserted position as collateral agent for the Senior Noteholders. Among the voluminous documents requested and furnished in discovery were the documents purporting to appoint Voelker as collateral agent by the entire Senior Noteholder body. Paxos apparently gave these documents to one or more of the Dissenting Shareholders, who apparently used these documents as a punchlist to reach out to the noteholders that had appointed Voelker in an effort to persuade them to replace Voelker with Paxos. It is the Debtors' understanding that, if valid, the replacement occurred on December 10, 2010.

3. SUMMARY OF THE PLAN OF REORGANIZATION

A. In General

The Plan provides for the disposition of all of the Debtors' assets through the creation of a new entity (defined in the Plan as the "Reorganized Debtor"), a reorganization of the Debtors' debts, and the elimination of existing equity. As noted below, the Debtors have also sought approval of one or more sales of their assets as a going concern, which sales would take place shortly after a hearing on confirmation in the event that the Plan (or another plan) is not confirmed.

Although not a substitute for a complete reading of the Plan, the following is a very general summary of certain material provisions of the Plan:

(1) Senior Note Holders (Class 3 of the Plan). Each Senior Noteholder will receive a pro rata share of preferred stock in the Reorganized Debtor defined in the Plan as Series A Preferred Stock, which has a liquidation preference of $18,974,553 in the aggregate. Series A Preferred Stock automatically converts into 75% of the Company's Common Stock at a broadly defined liquidity event, subject to dilution from the Financing (as defined below). At the election of 66 2/3 % (sixty six and two thirds) of the holders, the Series A Preferred Stock may elect to convert their stock into 75% of the common stock of the Reorganized Debtor on a one-for-one conversion basis upon the liquidation or sale of the Reorganized Debtor. The holders of the Series A Preferred Stock may determine the number of board members to be appointed (with a minimum of five members and a maximum of seven members, and beginning with five) and may elect three members to the Reorganized Debtor's Board of Directors.

Certain of the Senior Noteholders will also be reimbursed a limited amount of their attorneys' fees and expenses associated with the negotiation of the Plan and their representation in the Debtors' bankruptcy cases.

(2) Junior Note Holders (Class 4 of the Plan). Each Junior Noteholder will receive a pro rata share of 10% of the common stock in the Reorganized Debtor defined in the Plan as Series A Common Stock, subject to dilution from the conversion of Series A Preferred Stock and the Financing. Holders of Series A Common Stock may also elect one member of the Reorganized Debtor's Board of Directors.

Certain of the Junior Senior Noteholders will also be reimbursed a limited amount of their attorneys' fees and expenses associated with the negotiation of the Plan and their representation in the Debtors' bankruptcy cases.

(3) General Unsecured Creditors (Class 5 of the Plan). Each holder of a General Unsecured Claim (other than those whose Claims are less than $10,000 in the aggregate) will receive a pro rata share of 7.5% of the common stock in the Reorganized Debtor defined in the Plan as Series B Common Stock, subject to dilution from the conversion of Series A Preferred Stock and the Financing. Holders of Series B Common Stock may also elect one member of the Reorganized Debtor's Board of Directors.

(4) Management Trust (§ 6.1(c)(iv) of the Plan). Management of the Reorganized Debtor will receive, in a separately created trust, a pro rata share of 7.5% of common stock in the Reorganized Debtor defined in the Plan as Series C Common Stock, subject to dilution from the conversion of Series A Preferred Stock and the Financing. Holders of Series C Common Stock may also elect one member of the Reorganized Debtor's Board of Directors.

Upon a liquidity event, in lieu of a distribution the MMI Management Trust will receive (i) a 5% distribution on proceeds in excess of $10 million through $30 million, plus (ii) an additional 2% on proceeds between $30 million and $40 million, plus (iii) an additional 5% on proceeds in excess of $40 million.

B. Classification and Treatment of Claims and Interests

The Classification and treatment of Claims against and Interests in the Debtors are set forth below. It should be noted that the Debtors or the Reorganized Debtor, as applicable, may provide any holder of a Claim against or Interest in the Debtors with "Less Favorable Treatment," which means: (i) treatment that provides less consideration to the holder of a Claim or Interest than such holder would otherwise have been entitled to receive, (ii) treatment that enables the Debtors or the Reorganized Debtor to retain or receive more than the Debtors or the Reorganized Debtor would otherwise have been entitled to receive, and/or (iii) assumption by the Reorganized Debtor of all or any portion of the debt upon which any Claim arises in lieu of all or any portion of the consideration that the holder thereof would otherwise have been entitled to receive under the Plan.

(1) **Unclassified Claims**

Certain types of Claims were not placed into voting Classes. They are not considered Impaired and they do not vote on the Plan because they are automatically entitled to specific treatment provided to them in the Bankruptcy Code. As such, the Debtors have not placed the following Claims in a Class: (a) Administrative Claims, and (b) Priority Tax Claims. Except for parties listed on Exhibit C hereto, the Plan establishes a deadline of 30 days after entry of the Confirmation Order for asserting Administrative Claims, and other orders of the Court shall apply to deadlines to assert Priority Tax Claims.

Under Article 2 of the Plan, holders of most Administrative Claims will receive payment of the full amount of such Allowed Administrative Claim, without interest, in Cash, as soon as reasonably practicable after the later of (i) the Effective Date, or (ii) thirty (30) days after such Administrative Claim becomes an Allowed Claim. Holders of Priority Tax Claims

(2) **Classified Claims**

Class 1: Secured Claims. Class 1 is not Impaired and consists of all Secured Claims, other than Secured Note Claims. At the sole option of the Debtors or the Reorganized Debtor, as applicable, each Holder of an unpaid Class 1 Claim shall receive, in full satisfaction, settlement, and release of, and in exchange for, the Holder's Allowed Secured Claim: (i) the property of the Estates (and only to the extent of the Estates' interest in same) that constitutes collateral for the Allowed Secured Claim on the later of the Effective Date and the date such Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter; (ii) Cash in a dollar amount equal to the value of the collateral as of the Petition Date or the Effective Date (whichever is less) on the later of 30 days after the Effective Date under this Plan and the date such Claim becomes an Allowed Claim; or (iii) any other treatment as may be agreed between the Debtors (or the Reorganized Debtor) and the Holder of the Allowed Secured Claim. Upon such Holder's receipt of any distribution on account of the sale of collateral, such Holder's Lien in such collateral shall be deemed released and extinguished.

The Debtors do not believe that there will be any Allowed Secured Claims on the Effective Date of the Plan, although the Debtors are aware of at least one party (other than

Secured Noteholders) with whom they have executed a prepetition security agreement, an entity called Genetics Institute, LLC, a Delaware Limited Liability Company ("Genetics Institute"). According to the financing statement filed by Genetics Institute, Genetics Institute asserts a lien in certain license fees and royalties paid on account of a collaboration agreement between and among MMI and certain third parties. The Debtors believe that no collateral existed on the Petition Date to secure any claims that might be asserted by this alleged secured creditor, and that any funds received after the Order for Relief Date would not become collateral in accordance with § 552(a) of the Bankruptcy Code. The Debtors also question the extent to which any security interest asserted by Genetics Institute remains perfected. Genetics Institute may challenge these positions, however, and the Debtors or the Reorganized Debtor will address whether their interests in any collateral can be satisfied in accordance with the terms of the Plan or whether such collateral must be surrendered to the secured party.

Class 2: Priority Unsecured Claims. Class 2 of the Plan is Impaired and consists of all Priority Unsecured Claims, defined in the Plan as any unsecured Claim entitled to priority under § 507(a) of the Bankruptcy Code, other than an Administrative Claim or a Priority Tax Claim, but only to the extent that such Claim is entitled to priority pursuant to § 507(a) of the Bankruptcy Code.

Unless the Holder of an Allowed Priority Unsecured Claim and the Debtor or the Reorganized Debtor, as applicable, agree to a different treatment, the Reorganized Debtor shall pay each Holder of an Allowed Priority Unsecured Claim an amount equal to 95% of the unpaid amount of such Allowed Priority Unsecured Claim, in Cash, without interest, on or as soon as soon as reasonably practicable after the later of (A) the Effective Date, or (B) thirty (30) days after such Class 2 Claim becomes an Allowed Claim.

The Debtors believe that the only persons holding or asserting Allowed Priority Unsecured Claims against the Debtors will be former and current employees to whom the Debtors may owe salary, wages, benefits, and similar obligations. For purposes of priority, the Debtors intend to treat claims relating to reimbursement of out-of-pocket expenses to employees as unpaid wages. The Debtors estimate that on the Petition Date, they were subject to approximately $455,927 in Priority Non-Tax Claims ($58,625 against MMI, $397,302 against MMIG).

Class 3 - Senior Note Holders. Class 3 is Impaired and consists of all Senior Note Claims. Each Senior Noteholder will receive a pro rata share of 7,500,000 shares of stock called "Series A Preferred Stock," which shall collectively have the following attributes:

(A) Upon liquidation, dissolution, or winding up of the Reorganized Debtor (or its merger into another entity), the holders of Series A Preferred Stock shall receive a liquidation preference of $18,974,553.

(B) Series A Preferred Stock shall automatically convert to 7,500,000 shares of the common stock of the Reorganized Debtor upon the occurrence of a liquidity event (as shall be broadly defined in the charter and the bylaws), subject to dilution from the Financing as described in the Plan.

(C) Upon the election of at least 66-2/3% of the Series A Preferred Stock, the Series A Preferred Stock shall convert to 75% of the common stock of the Reorganized Debtor upon the occurrence of a sale or liquidation of the Reorganized Debtor, subject to dilution from the Financing as described in the Plan (and any later post-Financing Issuances that may be approved by the Reorganized Debtor's Board of Directors).

(D) The holders of the Series A Preferred Stock may elect three members of the Reorganized Debtor's Board of Directors.

(E) The holders of the Series A Preferred Stock may determine the number of members of the Reorganized Debtor's Board of Directors, with a minimum of five members and a maximum of seven members. In the event that the number of members is six or seven, then the sixth and seventh members shall be elected by all holders of shares in the Reorganized Debtor by majority vote.

Certain of the Senior Noteholders will also be reimbursed a limited amount of their attorneys' fees and expenses associated with the negotiation of the Plan and their representation in the Debtors' bankruptcy cases.

Class 4 - Junior Note Holders. Class 4 is Impaired and consists of all Junior Note Claims. Each Junior Noteholder will receive a pro rata share of 1,000,000 shares of stock called "Series A Common Stock," which shall collectively have the following attributes:

(A) Series A Common Stock is intended to constitute 10% of the stock of the Reorganized Debtor. These shares shall be common stock of the Reorganized Debtor subject to dilution from any conversion by the Series A Preferred Stock into common stock as set forth in the Plan, and subject to further dilution by the Financing as described in the Plan (and any later post-Financing Issuances that may be approved by the Reorganized Debtor's Board of Directors).

(B) The holders of the Series A Common Stock may elect one member of the Reorganized Debtor's Board of Directors.

Certain of the Junior Senior Noteholders will also be reimbursed a limited amount of their attorneys' fees and expenses associated with the negotiation of the Plan and their representation in the Debtors' bankruptcy cases.

Class 5 - General Unsecured Creditors. Class 5 is Impaired and consists of all General Unsecured Claims. Each holder of a General Unsecured Claim (other than a Convenience Claim, as discussed below) will receive a pro rata share of 750,000 shares of stock called "Series B Common Stock," which shall collectively have the following attributes:

(A) Series B Common Stock is intended to constitute 5% of the stock of the Reorganized Debtor. These shares shall be common stock of the Reorganized Debtor subject to dilution from any conversion by the Series A Preferred Stock into common stock as set forth in the Plan, and subject to

further dilution by the Financing as described in the Plan (and any later post-Financing Issuances that may be approved by the Reorganized Debtor's Board of Directors).

(B) The holders of the Series B Common Stock may not elect any members of the Reorganized Debtor's Board of Directors.

Class 6 – Convenience Claims. Class 6 is Impaired and consists of all Convenience Claims. Under the Plan, a "Convenience Claim" means any General Unsecured Claim in an amount less than or equal to $10,000; provided that if the Holder of a General Unsecured Claim in an amount less than or equal to $10,000 holds other General Unsecured Claims, the aggregate of which (including such Claim) exceeds $10,000, then no such Claims shall be treated as Convenience Claims unless the Reorganized Debtor shall agree otherwise.

On or as soon as soon as reasonably practicable after the later of (A) the Effective Date, or (B) thirty (30) days after such Class 6 Claim becomes an Allowed Claim, each holder of an Allowed Class 6 Claim shall be paid 10% of its Allowed Convenience Claim in Cash in full satisfaction of such Claim. Such distribution shall be the sole distribution to which holders of Claims in Class 6 shall be entitled on account of such Claim.

Class 7 – Interests. Class 7 is Impaired and consists of the Interests in the Debtor. On the Effective Date, each Holder of a Class 7 Interest shall not be entitled to, and shall not receive or retain any property or interest in property on account of, such Class 7 Interest. Class 7 Interests shall be extinguished as of the Effective Date.

All Interests in MMIG are believed to be held by MMI. Interests in MMI are believed to be held by a number of shareholders.

(3) **Other Provisions.**

(a) Intercompany Claims. Notwithstanding anything in the Plan to the contrary, on the Effective Date, all Claims by any of the Debtors against any of the other Debtors or against any of their respective non-debtor affiliates shall be deemed a Disallowed Claim.

(b) Reimbursement of Attorneys' Fees and Expenses. As noted above, certain of the Noteholders will be reimbursed a limited amount of their attorneys' fees and expenses associated with the negotiation of the Plan and their representation in the Debtors' bankruptcy cases. The Plan provides that some of the reimbursements otherwise payable to certain creditors shall be credited against the Debtors' attorneys' fees and expenses incurred during the Chapter 11 cases, because the Debtors assert that the actions taken by such persons have reduced the value otherwise available to creditors of the Debtors' Estates. Notwithstanding the foregoing, the Debtors anticipate that the Plan will be the subject of ongoing negotiations and may be modified in various ways, which may include (but are not limited to) reimbursement of some or all of such parties' attorneys' fees and expenses without recognition of any such crediting. Parties voting in connection with the Plan should assume that this modification may be made without resolicitation, and if acceptance of the Plan is otherwise expressly conditioned upon inclusion of such crediting, parties should vote to reject the Plan.

(c) Administrative Claim Bar Dates. The following deadlines apply to the filing of Administrative Claim Requests against the Debtors' estates. It should be reiterated that parties listed on Exhibit C hereto that agree with the amount identified as the Allowed Administrative Claim in that exhibit are not required to file an Administrative Claim Request:

1. Professionals. All Professionals requesting compensation or reimbursement of expenses for services performed before the Effective Date of the Plan are required to file with the Bankruptcy Court and deliver to the attorneys for the Debtors, the attorneys for the Reorganized Debtor, and the Office of the United States Trustee, an application for final allowance of compensation and reimbursement of expenses no later than thirty (30) days after the Effective Date. Professional services rendered for the Reorganized Debtor after the Effective Date shall not be the subject of fee applications.

2. Non-Professional Fee Administrative Claims. All Holders of Administrative Claims (other than Professional Fee Claims) requesting allowance of administrative expenses must file and serve an application for such allowance of expenses no later than thirty (30) days after the Confirmation Date. Any Holder of an Administrative Claim that is not Allowed as of the Effective Date that does not file an application for payment of such Claim or expense by the deadline set forth herein shall be forever barred from asserting such Claim against the Debtors, the Estates, the Reorganized Debtor, their successors, assigns, or respective property, and shall receive no distribution under the Plan or otherwise on account of such Claim.

D. Treatment of Executory Contracts and Unexpired Leases

On the Confirmation Date, all prepetition executory contracts and unexpired leases of the Estate shall be assumed by the Debtors under §§ 365 and 1123 of the Bankruptcy Code and assigned to the Reorganized Debtor, except (a) any executory contract or unexpired lease that is

the subject of a separate motion for authority to reject filed pursuant to § 365 of the Bankruptcy Code by the Debtors before the Confirmation Order becomes a Final Order; or (b) any executory contract or unexpired lease rejected pursuant to an order of the Bankruptcy Court. Notwithstanding anything in the Plan to the contrary, no executory contract or unexpired lease shall be deemed assumed or rejected upon confirmation of the Plan if the Effective Date fails to occur for any reason.

Any postpetition executory contract or unexpired lease to which the Debtors are a party shall on the Effective Date automatically be deemed assigned by the Debtors to the Reorganized Debtor without recourse.

E. Implementation of the Plan

(a) Creation of Reorganized Debtor. On or before the Effective Date, the Debtors shall create a corporation, incorporated under the laws of the State of Delaware, called "MetaMorphix Genomics, Inc." which shall be and constitute the "Reorganized Debtor" hereunder on the Effective Date.

(b) Transfers to the Reorganized Debtor. On the Effective Date, the Debtors and the Estates shall be deemed to have transferred and/or assigned to the Reorganized Debtor all of their assets, including but not limited to Cash and accounts, including but not limited to all monies held in escrow or separate segregated accounts during the pendency of the Chapter 11 Cases, licenses for the use of patented and/or other proprietary technology, interests in any subsidiaries, Litigation Claims, and any and all other interests, rights, claims, defenses, and causes of action of the Debtors or the Estates. Thereafter, such transferred assets shall be deemed property of the Reorganized Debtor free and clear of all Claims, Liens, and contractually imposed restrictions, except for rights specifically preserved under the Plan. Any assets received by the Debtors after the Effective Date shall be treated, for all purposes, as if they had been received by the Debtors immediately prior to the Effective Date and shall be deemed transferred to the Reorganized Debtor as of the Effective Date.

(c) The Reorganized Debtor shall be governed by its Certificate of Incorporation and bylaws, which shall contain such rules, obligations, rights, and provisions as are customary for a Delaware corporation in the biotechnology industry and which shall be substantially similar to MMI's Charter and bylaws (except to the extent inconsistent with this Plan). There are no contractually committed cumulative annual dividends and no Class-specific veto or approval rights.

After the Effective Date, the Reorganized Debtor shall be permitted to operate its business and manage its affairs without supervision by the Bankruptcy Court. The Reorganized Debtor shall be permitted in its sole discretion to employ, retain, and pay compensation and reimbursement to such professionals as it deems appropriate, without being required (and without such professionals being required) to obtain approval of the Bankruptcy Court therefor. The Reorganized Debtor shall cause to be filed such reports and disclosures as may be required by the U.S. Trustee under applicable law, but such reports and disclosures shall relate solely to the finances and affairs of the Debtors and the Estates and not to the Reorganized Debtor. The Reorganized Debtor shall pay, or cause the Debtors to pay, such statutory fees as shall be required under applicable law, but to the

extent that such fees are calculated upon the disbursements of the Estates, such fees shall be measured by any disbursements of the Debtors and the Estates but not of the Reorganized Debtor.

(d) Exit Financing. In order to provide the Reorganized Debtor with some or all of the capital necessary to operate its business, to meet certain of its obligations under the Plan, and to carry out such additional functions as may be necessary or appropriate, the entry of the Confirmation Order shall constitute authority for the Debtors to incur new financing in an amount not to exceed $3,000,000, less the amount(s) on any Debtor in Possession Financing outstanding as of the Effective Date (without limiting the rights of the Reorganized Debtor to borrow further financing to the extent authorized under applicable non-bankruptcy law), which is referred to in the Plan as the "Exit Financing." On the Effective Date, the Reorganized Debtor shall be deemed to assume the obligations of the Debtors in connection with the Exit Financing. The Debtors shall be permitted to borrow the Exit Financing at a reasonable market rate in the their discretion, and they may (in the Debtors' discretion) be subject to the following terms:

(i) The Debtors shall be permitted to agree that some or all of the Liens securing the Exit Financing shall be senior to some or all Liens then existing on any assets of the Debtors;

(ii) The Debtors shall be permitted to agree that the creditors holding rights against the Debtors under the Exit Financing shall be permitted, unanimously, under certain circumstances, to convert the debt obligations under the Exit Financing to 1,100,000 shares for each $1,000,000 of investment outstanding up to a maximum of $3,000,000 or 3,300,000 shares of Series A Preferred Stock.

(e) Debtor in Possession Financing. In order to provide the Reorganized Debtor with some or all of the capital necessary to operate its business and carry out such additional functions as may be necessary or appropriate, the Reorganized Debtor shall be permitted to treat the Debtor in Possession Financing in accordance with the same terms and conditions as the Exit Financing, and the entry of the Confirmation Order shall constitute approval of such treatment.

(f) Dissolution of the Debtors and the Committee. On the Effective Date, the Reorganized Debtor shall, in accordance with applicable law, be issued a 100% Interest in each of the Debtors and thereafter shall be, and have all the powers of, the sole officer, manager, and director of the Debtors, replacing the existing officers, managers, shareholders, and directors of the Debtors, and all other shares of any class of Interests of the Debtors shall be deemed cancelled. Within the respective times determined by the Reorganized Debtor as necessary or appropriate under the circumstances (including with respect to the pursuit of causes of action in the name of the Estates), the Debtors shall be dissolved. The Reorganized Debtor may, in its discretion, file all necessary certificates of dissolution and take any other actions necessary or appropriate to effect the dissolution of the Debtors under the state law(s) where the Debtors were organized, which the Reorganized Debtor may do without further action of the Debtors' former shareholders, officers, managers, or directors or further order of the Court. All applicable regulatory or governmental agencies shall accept any certificates of dissolution or other papers filed by the Reorganized Debtor and its agents on behalf of the Debtors and shall take all steps necessary to allow and effect the prompt dissolution of the Debtors as provided herein, without

the payment of any fee, tax, or charge and without need for the filing of reports or certificates, except as the Reorganized Debtor may determine in its sole discretion to be necessary or appropriate.

On the Effective Date, any Creditors' Committee shall dissolve automatically, whereupon its members, Professionals and agents shall be released from any further duties and responsibilities in the Chapter 11 Cases and under the Bankruptcy Code, except that such parties shall continue to be bound by any obligations arising under confidentiality agreements, joint interest agreements, and protective orders entered, or entered into, during the Chapter 11 Cases, which shall remain in full force and effect according to their terms.

(g) Retention of Causes of Action.

(1) All claims, rights, defenses, offsets, recoupments, causes of action, actions in equity, or otherwise, whether arising under the Bankruptcy Code or federal, state, or common law, which constitute property of the Estate within the meaning of § 541 of the Bankruptcy Code, as well as all claims, rights, defenses, offsets, recoupments, and causes of action arising under Chapter 5 of the Bankruptcy Code (including but not limited to Litigation Claims) with respect to the Debtors or their Estates, are preserved under the Plan for the benefit of the Debtors, and shall be deemed to be among the assets transferred and assigned to the Reorganized Debtor on the Effective Date. Prosecution and settlement of such claims, rights, defenses, and causes of action shall be the responsibility of the Reorganized Debtor exclusively, and the Reorganized Debtor shall or shall not pursue those claims, rights, defenses, and causes of action, as appropriate, in accordance with the Reorganized Debtor's sole judgment.

(2) Notwithstanding any waiver of, release of, or other agreement or covenant not to pursue or sue upon any claims, rights, defenses, offsets, recoupments, and causes of action by the Debtors, to the extent that any claims, rights, defenses, offsets, recoupments, and causes of action were preserved by or for the benefit of any Creditors' Committee, they shall be preserved under the Plan and deemed assigned to the Reorganized Debtor by such Creditors' Committee on the Effective Date.

(3) In consideration for the reduced recoveries to which the Holders of Secured Note Claims supporting the Plan have agreed to receive in connection with distributions under this Plan, as of the Confirmation Date, but subject to the occurrence of the Effective Date, any and all Avoidance Actions against Holders of Secured Note Claims that vote to accept the Plan, to avoid unperfected Liens and/or to challenge the effectiveness of any security agreement pursuant to which their Claims are asserted (i) shall be deemed released, compromised, and extinguished; (ii) shall not be preserved for the benefit of the Reorganized Debtor; and (iii) shall not be deemed to be among the assets transferred and assigned to the Reorganized Debtor on the Effective Date.

F. Effect of Confirmation of Plan.

THE PLAN PROVIDES FOR A SERIES OF RELEASES AND INJUNCTIONS THAT AFFECT ALL CREDITORS AND OTHER PARTIES IN INTEREST. ALL PARTIES ARE URGED TO REVIEW THOSE PROVISIONS VERY CAREFULLY.

(a) Satisfaction of Claims and Interests in the Debtors. The treatment to be provided for respective Allowed Claims against or Interests in the Debtors pursuant to the Plan shall be in full satisfaction, settlement, and release of such respective Claims and Interests. Except as otherwise expressly provided for herein, any claims of the Debtors or the Estates against the Holders of any Allowed Claims or Interests shall not be deemed compromised and are expressly preserved upon and after confirmation of the Plan.

(b) Debtors' Releases. Pursuant to § 1123(b) of the Bankruptcy Code, as of the Confirmation Date, but subject to the occurrence of the Effective Date, and except as otherwise expressly provided in the Plan, the Debtors shall be deemed to forever waive, release, and discharge all Released Parties from and with respect to all claims (including but not limited to Claims), obligations, suits, causes of action, demands, judgments, debts, rights, liabilities, losses, whether known or unknown, in law or in equity, liquidated or unliquidated, fixed or contingent, matured or unmatured, foreseen or unforeseen, direct or derivative, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place before the Effective Date in any way relating to the Debtors, the Debtors' business or affairs, the Chapter 11 Cases, the entry of the Confirmation Order, the Plan, or the Disclosure Statement that have been or could have been asserted by or on behalf of the Debtor against the Released Parties as of the Effective Date. The release of all such claims in favor of the Released Parties shall bind all creditors, shareholders, the Reorganized Debtor, and other parties in interest in the Chapter 11 Cases. ANY SUCH RELEASE SHALL ADDITIONALLY ACT AS AN INJUNCTION AGAINST ANY PERSON, INCLUDING BUT NOT LIMITED TO THE DEBTORS AND THE REORGANIZED DEBTOR AND ANY PERSON PURPORTING TO ACT ON THE DEBTORS' AND/OR THE REORGANIZED DEBTOR'S BEHALF, FROM COMMENCING OR CONTINUING ANY ACTION, EMPLOYMENT OF PROCESS OR ACT TO COLLECT, OFFSET, OR RECOVER ANY CLAIM THAT IS SO RELEASED. Without limitation, the foregoing release shall include any claims which were available to Persons outside of bankruptcy but which the Estates became entitled to enforce under § 544 of the Bankruptcy Code.

(c) Third Party Releases. As of the Confirmation Date, but subject to the occurrence of the Effective Date, and except as otherwise expressly provided in the Plan, for good and valuable consideration, the adequacy of which is hereby confirmed, each holder of a Claim that votes to accept the Plan as set forth on the relevant Ballot shall be deemed to have forever covenanted with the Debtors and with each of the Released Parties to waive, release, and discharge all claims, obligations, suits, causes of action, demands, judgments, debts, rights, liabilities, losses, whether known or unknown, in law or in equity, liquidated or unliquidated, fixed or contingent, matured or unmatured, foreseen or unforeseen, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place before the Effective Date in any way relating to the Debtors, the Debtors' business or affairs, the Chapter 11 Cases, the Plan, or the Disclosure Statement that could have been

asserted by such holder of a Claim or Interest against the Released Parties as of the Effective Date.

(d) Release of Liens and Perfection of Liens. Except as otherwise specifically provided in the Plan or in any agreement, instrument, or document created in connection with the Plan, each holder of a Secured Claim and/or Lien, regardless of whether such holder holds an Allowed Claim, shall, on or immediately before the Effective Date and regardless of whether such Claim has been scheduled or proof of such Claim has been filed: (i) turn over and release to the Debtors or the Reorganized Debtor, as the case may be, any and all property of the Debtors or the Estates that secures or purportedly secures such Claim, or such Lien and/or Claim shall automatically, and without further action by the Debtors, the Estates, or the Reorganized Debtor, be deemed released; and (ii) execute such documents and instruments as the Reorganized Debtor requires to evidence such holder's release of such property or Lien.

If such holder does not execute the appropriate documents or instruments, the Reorganized Debtor may, in its sole discretion, file or record a copy of the Confirmation Order which shall serve to release such holder's rights in such property. Any such action by the Reorganized Debtor shall be at the holder's expense, and the Reorganized Debtor shall be entitled to recover from such holder all costs, including but not limited to actual attorney's fees on account of such action, to set off such costs against any distribution to be made to the holder, and/or to the extent any distribution under the Plan shall be of stock or other property, to assert a Lien against such distribution for payment of such amount.

Without limiting the release provisions of the immediately preceding subparagraph and except as otherwise agreed by the Reorganized Debtor: (i) no distribution hereunder shall be made on account of any Claim or Interest unless and until the holder thereof executes and delivers to the Debtors or the Reorganized Debtor (as applicable) such release of Liens or otherwise turns over and releases such Cash, pledge, or other possessory Liens; and (ii) any such holder that fails to execute and deliver such release within 90 days after the Effective Date shall be deemed to have no Claim or Interest and shall not receive any distribution under the Plan.

(e) Injunction. Except as the Plan provides otherwise, all Persons who hold or may hold Claims against or Interests in the Debtors shall, with respect to any such Claims or Interests, be permanently enjoined from and after the Confirmation Date from taking any of the following actions (other than actions to enforce any rights or obligations under the Plan): (i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtors, the Estates, the Reorganized Debtor, or any of their property; (ii) enforcing, levying, attaching (including but not limited to any pre-judgment attachment), collecting, liquidating, or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against the Debtors, the Estates, the Reorganized Debtor, or any of their property, except a proceeding in the Bankruptcy Court to prove the existence, validity, priority, and amount of any Claim or Interest for purposes of receiving any rights or distributions under the Plan; (iii) conducting discovery in aid of enforcement of any judgment, award, decree or order entered against the Debtors before the Effective Date; (iv) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors, the Estates, the Reorganized Debtor or any of their property; (v) asserting any right of setoff, directly or indirectly, against any

obligation due the Debtors, the Estates, the Reorganized Debtor or any of their property, except as contemplated or permitted by the Plan; (vi) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan; (vii) pursuing, prosecuting, or recovering proceeds on account of my claims belonging to, transferred to, or conferred upon the Reorganized Debtor (or which will belong to, be transferred to, or conferred upon the Reorganized Debtor on the Effective Date); and (viii) prosecuting or otherwise asserting any right, claim, or cause of action released pursuant to the Plan.

(f) Indemnification. Notwithstanding anything to the contrary in this Plan, the Debtors' obligations to indemnify Persons who served during the Chapter 11 Cases as the Debtors' officers, directors, employees, and professionals existing under applicable non-bankruptcy law (whether arising under contract, bylaw, or certificate of incorporation) with respect to all present and future actions, suits, and proceedings against any of such indemnified Persons, based upon any act or omission related to service with, for, or on behalf of the Debtors at any time during the period from the Petition Date through the Effective Date (including but not limited to acting as employee benefit plan fiduciaries or employee benefit administrative trustees), in all cases net of applicable insurance proceeds, other than for acts constituting willful misconduct or gross negligence shall not be released and shall be deemed assumed by the Reorganized Debtor on the Effective Date.

(g) Exculpation. The Released Parties and any property of or professionals retained by such parties, or direct or indirect predecessor-in-interest to any of the foregoing Persons, will not have or incur any liability to any Person for any act taken or omission occurring on or after the Order for Relief Date in connection with or related to the Debtors or the Reorganized Debtor, including but not limited to (i) the Debtors' consent to the entry of an order for bankruptcy relief and request for conversion of the case to a case under Chapter 11 of the Bankruptcy Code; (ii) the filing by MMIG of a voluntary petition for relief under Chapter 11 of the Bankruptcy Code; (iii) the administration of the Chapter 11 Cases, (iv) the operation of the Debtors' business during the pendency of the Chapter 11 Cases, (v) the formulating, preparing, disseminating, implementing, confirming, consummating, and administering of the Plan (including soliciting acceptances or rejections thereof); (vi) the submission of and statements made in the Disclosure Statement or any contract, instrument, release, or other agreement or document entered into, or any action taken or omitted to be taken in connection with the Plan; and (vii) any distributions made pursuant to the Plan, except for acts constituting willful misconduct or gross negligence, and in all respects such parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. The entry of the Confirmation Order shall constitute a determination by the Bankruptcy Court that the Debtors and each of their officers, directors, professionals, employees, members, trustees, agents, attorneys, financial advisors, partners and accountants that served during the Chapter 11 Cases have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code, pursuant to, among other provisions of law, sections 1125(e) and 1129(a)(3) of the Bankruptcy Code, with respect to the foregoing.

G. Tax Consequences.

The Debtors have not been able to complete a full analysis of the tax consequences of confirmation of the Plan. **CREDITORS AND INTEREST HOLDERS ARE URGED TO**

CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TREATMENT OF DISTRIBUTIONS MADE UNDER THE PLAN.

A Creditor that receives cash in satisfaction of an Allowed Claim will generally receive a gain or loss with respect to the principal amount of the Allowed Claim equal to the difference between: (i) the Creditor's basis in the Claim (other than any claim with respect to accrued interest); and (ii) the balance of the cash received after any allocation to the accrued interest.

4. FEASIBILITY OF THE PLAN

In connection with Confirmation of the Plan, § 1129(a)(11) of the Bankruptcy Code requires that the Bankruptcy Court find that Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors. This is the so-called "feasibility" test.

The Plan provides for the distribution of all of the Debtors' Assets. Accordingly, the Debtors believe that all Plan obligations will be satisfied without the need for further reorganization of the Debtors.

Upon meeting all other requirements, the only significant variable known to the Debtors affecting the feasibility of the Plan is the uncertainty about whether or not the Debtors will be able to procure the Exit Financing. From their discussions with various sources of potential capital, the Debtors believe that sufficient interest exists to obtain that financing once the disputes asserted by and between the various collateral agents have been resolved. Thus, the Debtors believe that the Plan is feasible.

5. BEST INTERESTS TEST

Even if the Plan is accepted by all Holders of eligible Claims, the Bankruptcy Code requires that the Bankruptcy Court find that the Plan is in the best interests of all Holders of Claims and Interests that are Impaired by the Plan and that have not accepted the Plan as a requirement to confirm the Plan. The "best interests" test, as set forth in § 1129(a)(7) of the Bankruptcy Code, requires the Bankruptcy Court to find either that each Impaired Class of Claims or Interests has accepted the Plan or that the Plan will provide an entity who has not accepted the Plan with a recovery of property of a value, as of the Effective Date of the Plan, that is not less than the amount that each Holder is such Class would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on such date.

The Debtors believe that the Plan satisfies this standard because the Plan provides for the same or more value to each class of creditors than any such creditors would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on such date. Furthermore, the Debtors believe that the Plan also provides creditors with a degree of certainty that would not exist if the Assets were distributed outside of the Plan, as distribution under Chapter 7 would cause an increase in administrative expenses, including trustee's commissions and fees for the trustee's professionals, that would receive priority treatment under section 507(a)(1) of the Bankruptcy Code, would involve considerable uncertainty (as any recovery would be dependent on future litigation), and the final distribution of assets would likely be substantially delayed. Similarly, the proposed reorganization of the Debtors' business operations under the Plan will take advantage of fully developed, tested, and rolled-out proprietary technologies, which the

Debtors strongly believe are more profitable by being operated and/or licensed to third parties than if the Debtors' hard assets were liquidated piecemeal.

The Debtors submit that the value of their assets would be insufficient, if liquidated piecemeal, to make any payments to General Unsecured Claims at all, and all proceeds of assets would be transferred to the Senior Noteholders, *pro rata,* to satisfy their secured claims (subject to any surcharge to which the Estates might be entitled under § 506(c)). Pursuant to the Debtors' Schedules, MMI's assets were valued as of the Order for Relief Date at $314,179 and MMIG's assets were valued as of the MMIG Petition Date at $1,283,786. These values were book value, which the Debtors believe may not reflect actual liquidation value, and the results at an auction might be lower. The Debtors have not acquired any significant assets since the Order for Relief Date and the MMIG Petition Date, respectively.

It is the Debtors' belief that in a Chapter 7 liquidation, Unsecured Creditors will receive no distribution, whereas they will be receiving a measurable interest in the Reorganized Debtor pursuant to the Plan. Accordingly, the Debtors believe that the Plan is in the best interests of the Creditors.

Finally, the Plan provides for a mechanism to redistribute the equity in a business that owns and operates the Debtors' assets. Because of the nature of the Debtors' assets and operations, it is not feasible to liquidate the Debtors for more than a nominal amount of cash, so the greatest likelihood is that creditors would receive an equity-for-debt exchange under most reorganization or liquidation scenarios. The Plan provides for this resolution without the expense and delay associated with litigation or an exhaustive sale process.

6. **RECOMMENDATIONS**

The Debtors believe that the Plan is substantially preferable to liquidation under Chapter 7 of the Bankruptcy Code. Conversion of these Chapter 11 Cases would result in: (i) substantial delays in the distribution of the Assets; (ii) near certainty that Unsecured Claims would not receive any distribution; and (iii) substantially increased administrative costs.

THE DEBTORS RECOMMEND THAT YOU VOTE IN FAVOR OF THE PLAN.

Dated:_____

METAMORPHIX, INC.
MMI GENOMICS, INC.

by:_____
Dr. Edward Quattlebaum, President and CEO