

**THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:)	
)	Chapter 11
GROEB FARMS, INC.)	Case No. 13-58200
)	
Debtor.)	Honorable Walter Shapero

**DECLARATION OF JACK IRVIN, CHIEF FINANCIAL OFFICER
OF GROEB FARMS, INC., IN SUPPORT OF CONFIRMATION OF THE
SECOND AMENDED PLAN OF REORGANIZATION OF GROEB FARMS, INC.,
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE DATED NOVEMBER 8, 2013**

I Jack Irvin, hereby declare that the following is true to the best of my knowledge, information and belief:

1. I am the Chief Financial Officer of Groeb Farms, Inc., the debtor and debtor in possession in the above-captioned Chapter 11 case (the "Debtor"). I am authorized to submit this Declaration on behalf of the Debtor in support of confirmation of the Second Amended Plan of Reorganization of Groeb Farms, Inc., Pursuant to Chapter 11 of the Bankruptcy Code dated November 9, 2013 (the "Plan").

2. I am over 18 years of age and am fully competent to testify to the matters set forth in this Declaration.

3. I am familiar with the Debtor's day-to-day operations, business affairs, contracts and books and records.

4. I have been the Debtor's chief financial officer ("CFO") since January of 2008.

5. I am familiar with the Plan. I have reviewed the Plan, the exhibits to the Plan and am familiar with the facts alleged therein and restructuring proposed thereby. Except as



otherwise indicated, I have personal knowledge of the matters set forth herein or have gained knowledge of such matters from the Debtor's employees or retained advisers that report to me in the ordinary course of my responsibilities as an officer of the Debtor and, if called as a witness, would testify thereto.

6. In my opinion, and for the reasons stated below, implementing the Plan will maximize value for all of the Debtor's creditors and allow the Debtor to reorganize its business for the benefit of the estate and the Debtor's creditors. In my opinion, any failure to promptly implement the Plan would likely result in a decreased return to the Debtor's estate.

A. The Debtor's Business Operations

7. The Debtor was formed in 1981 and is the country's leading processor and packager of honey for food manufacturers, food service companies, and retail customers. The Debtor is headquartered in Onsted, Michigan. The Debtor also operates a honey processing facility in San Bernardino, California, and maintains a testing lab in Belleview, Florida (the Debtor has moved to reject the lease of such real property).

8. As of the Petition Date (defined below), the Debtor had approximately 76 full time employees, 8 contractors hired through staffing services, and 4 part time employees. As of the Petition Date (defined below), approximately 47 of the Debtor's employees were in Michigan, 25 were in California, 2 are in Georgia, and 2 are in Florida.

B. The Bankruptcy Case

9. On October 1, 2013 (the "Petition Date"), the Debtor filed its voluntary petition for relief under chapter 11 of the United States Bankruptcy Code, 101-1330, as amended (the "Bankruptcy Code"), thereby initiating the instant chapter 11 case (the "Chapter 11 Case"). The Debtor continues to operate its business and manage its financial affairs and property as a debtor

in possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code. On October 9, 2013, the Office of the United States Trustee (the “U.S. Trustee”) appointed a committee of unsecured creditors in the case (the “Committee”). No trustee or examiner has been appointed in the Chapter 11 Case.

C. The Debtor’s Reorganization Activities

10. Prior to filing its bankruptcy petition, the Debtor entered into the following three restructuring support agreements: (i) a Restructuring Support Agreement between the Debtor, the Senior Lender Affiliate, and the Senior Lender (the “Honey Financing RSA”); (ii) the Restructuring Support Agreement between the Debtor, the Senior Lender Affiliate, the Senior Lender and certain holders of the Senior Subordinated Notes (the “Senior Subordinated Debt RSA”); and (iii) the Restructuring Support Agreement between the Debtor and the Interim CA Counsel (on behalf of the Class Action Claim Holders) (the “Putative Class Action RSA” and together with the Honey Financing RSA and the Senior Subordinated Debt RSA, collectively, the “Restructuring Support Agreements”). The Restructuring Support Agreements were the product of lengthy negotiations made in good faith between the Debtor and the Senior Lender Affiliate, the Senior Lender, certain holders of the Senior Subordinated Notes and the Interim CA Counsel (on behalf of the Class Action Claim Holders), and embodied a number of hard-fought compromises between the parties. These negotiations have continued through the bankruptcy and are still continuing. The Class Action Claim Holders¹ (as defined in the Disclosure Statement) have entered into a stipulation with the Debtor and Committee, which was approved by the Court on December 18, 2013 [Docket No. 353], to vote in favor of the Plan and withdraw their Limited Objection to Confirmation [Docket No. 322].

¹ As discussed in the Disclosure Statement, the Class Action Claim Holders initiated the Putative Class Action (as defined therein), and at this time the class is not certified under Rule 23(b)(3) of the Federal Rules of Civil Procedure. The Putative Class Action is still in its embryonic stage with only a complaint having been filed.

11. On November 21, 2013 certain potential class action claimants (the “Producer/Packer Claimants”) filed a motion in the Putative Class Action for leave to file their own individual complaint. That motion has not yet been ruled on by the court in the Putative Class Action. The Producer/Packer Claimants filed an Objection to Confirmation of the Debtor’s Proposed Second Amended Plan of Reorganization (the “Producer/Packer Objection”) [Docket No. 321]. Certain of the Producer/Packer Claimants also voted against the Plan. The Debtor, the Committee, and the Producer/Packer Claimants entered in to a stipulation approved by this Court on December 18, 2013 [Docket No. 356] to resolve and withdraw the Producer/Packer Objection and modifying the votes of the Producer/Packer Claimants to vote in favor of the Plan.

12. The Debtor asserted potential claims, such as breach of fiduciary claims, among others, against certain of its officers and directors, including Ernest L. Groeb, Jr. (“E. Groeb”) and Troy Groeb (“T. Groeb” and together with E. Groeb, the “Groeb”), in connection with claims arising from and related to facts, which are disputed, as set forth in the Deferred Prosecution Agreement and all attachments and exhibits thereto filed on February 20, 2013, in case number 13-CR-137 in the United States District Court for the Northern District of Illinois, in connection with proceedings involving the Department of Justice (the “DOJ”). To resolve these potential claims, and various other claims, on December 16, 2013, the Debtors, the Committee, and various parties including the Groeb, E. Jeanne Groeb, Groeb Farms, LLC, the Groeb Family Partnership, the E. Jeanne Groeb Living Trust, the Insurer, the Ernest L. Groeb Jr. Living Trust, Thomas Jenkins (“Jenkins”), Robert Feerick (“Feerick”), Michael Bailey, Marquette Capital Fund I, LP, Argosy Investment Partners III LP, Horizon Partners, Ltd. and Horizon Capital Partners III (“Horizon Capital”) (collectively, the “Groeb Settlement Parties”)

entered into a settlement agreement the "Groeb Creditors Settlement Agreement"). In exchange for the release of certain claims and for the consideration to be paid, the Debtor agreed to allowance of the Groeb parties' claim as a general unsecured claim in the amount of \$1.46 million, the Insurer agreed to pay \$1.5 million from the D&O Policy to the General Unsecured Claims Litigation Trust, and the Groeb parties agreed to provide a release to the Debtor of certain claims held as well as to resolve their objections to the Plan and to affirmatively vote in favor of the Plan, in accordance with the terms of the Groeb Creditors Settlement Agreement. In addition to the foregoing, the Committee agreed to withdraw its complaint for equitable subordination of certain claims filed by the Groeb parties. On December 16, 2013, the Debtor filed a motion to approve the Groeb Creditors Settlement Agreement and the hearing is scheduled for January 7, 2014 [Docket No. 336].

D. The New Trade Agreements and the Plan

13. Due to the liquidity issues and disruption of supply issues resulting from the Department of Justice investigation on transshipping, the Debtor had to dump certain inventory that was transshipped, and the Debtor could not adequately rebuild its supply of honey due to its constrained liquidity. This constrained liquidity resulted from a series of actions by the Debtor's former secured lender, including reductions in the allowed amount of borrowing against inventory and the institution of certain reserve requirements, each of which limited the Debtor's ability to utilize its line of credit to purchase additional needed inventory. In the months leading up to the Petition Date, the Debtor's liquidity was limited to the point that the Debtor's vendors were concerned about the ability to receive payment for previously delivered goods and services. As a result, the Debtor experienced considerable difficulty procuring additional product deliveries.

14. Certain vendors required the Debtor to pay old invoices (sometimes as many as three old invoices) as well as cash-on-delivery for new deliveries, further exacerbating the Debtor's liquidity issues. The Debtor's inventory was also strained by the competition for the limited supply of honey in the marketplace. Vendors have multiple avenues for sale of their product, and due to the Debtor's limited ability to pay for product, vendors could have chosen, and did choose, not to sell to the Debtor when there were other willing customers. Therefore, the most critical threat to the Debtor's survival was inadequate inventory. Additionally, due to seasonal and risk issues, the Debtor was paying what it believed to be above market prices to replenish inventory.

15. Even after the Debtor filed bankruptcy, certain vendors demanded prices in excess of the market price, and on cash-on-delivery terms. During the first month of the bankruptcy case, the Debtor was paying \$2.25 per pound on average for its honey. This price exceeds the amounts at which the Debtor can sell a large portion of its finished goods inventory. As such, the Debtor was losing money on many of its customer contracts. If this had continued, the Debtor would not be able to reorganize.

16. The most important factor in the Debtor's survival was and continues to be obtaining a stable supply of inventory at favorable prices. Therefore, the Plan takes this into account and incentivizes the Debtor's vendors to supply inventory through a "New Trade Agreement," which requires most favored nation pricing, seeks immediate shipments to the Debtor and incorporates improved credit terms.

17. 22 of the Debtor's vendors signed New Trade Agreements. 15 of these New Trade Agreements are with vendors who provide honey to the Debtor. Two are packaging companies, who provide custom packaging to the Debtor. Three others are sales brokers who

arrange sales to the Debtor's end customers. The remaining two are sole-source suppliers for food products other than raw honey, which the Debtor sells to certain customers.

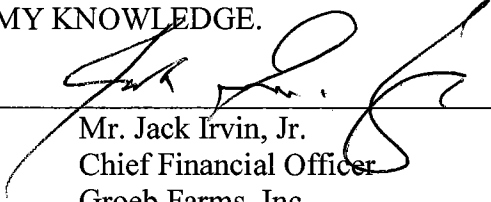
18. The New Trade Agreements provide the Debtor with Most Favored Nation ("MFN") pricing on the goods supplied by each vendor, credit terms of at least 30 days, and a commitment to supply volume reasonably consistent with current market conditions and the supplier's capacity, pursuant to customary trade terms. The vendors who are parties to the New Trade Agreements receive payment of their 503(b)(9) claims, if any, promptly, a recovery on their pre-petition claims of 40-60% over time, and a waiver of any preference liability under Section 547 of the Bankruptcy Code.

19. Without these New Trade Agreements as provided by the Plan, and the concessions provided to the Debtor by each vendor who has executed one, the Debtor would likely not be able to reorganize. The New Trade Agreements will allow the Debtor to replenish its inventory at MFN prices and in the volumes it requires to fulfill its contracts. The New Trade Agreements and the Plan allow the reorganization and continuation of the Debtor's business, and maximizing the value of the Debtor's estate for the recovery of creditors.

20. The Debtor's financial projections, attached as Exhibit D to the Disclosure Statement indicate that, after confirming the Plan, due in large part to the New Trade Agreements, the Debtor will be able to continue its operations. This is made possible by a significant reduction in the per-pound cost of honey enabled by the New Trade Agreements.

21. Based on the foregoing, I believe that the Plan was proposed in good faith, is in the best interests of the Debtor's creditors, and allows the Debtor to reorganize such that future bankruptcy proceedings will not be necessary.

I SWEAR UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE
AND CORRECT TO THE BEST OF MY KNOWLEDGE.



Mr. Jack Irvin, Jr.
Chief Financial Officer
Groeb Farms, Inc.

Dated: December 19, 2013