

K-Omega Corporation
7780 Ronda Drive
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The Woodward Company, Inc., has been engaged to assist
K-Omega in arranging financing and/or identifying joint venture
parties for the proposed purchase of Mann Industries, Inc.

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should be sent to the following:

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Confidential Memorandum

The information contained in the memorandum has been obtained from
Mann Industries, Inc. (Mann) and K-Omega Corporation (K-Omega) and
other sources and prepared by The Woodward Company.

The sole purpose of this memorandum is to provide due diligence support to
institutions considering financing K-Omega's acquisition of Mann Industries,
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January 17, 1994

An overview of
K-Omega Corporation's
proposed acquisition of
Mann Industries, Inc.

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	Separate bound volume

Mr. John C. Kim,
Founder and President of K-Omega

This company's success reflects the drive, personality and focus of John C. Kim. Under Alpha Enterprises (a DBA), John Kim acts as a consultant and as a source for supplies and equipment to the Asian flocking market.

Mr. Kim, born in South Korea, earned a full scholarship to Notre Dame University, graduating with an Electrical Engineering degree. He then did graduate work at the University of Michigan and Stanford University. During his early university years he also participated in humanitarian service with Dr. Thomas Dooley establishing hospitals in South East Asia.

He joined Ford Motor Company for 13 years, rising to manage engineering in one of Ford's plastic plants before leaving to start his own business.

Now, with more than 15 years experience in management, manufacturing, and marketing, and the success of K-Omega, Mr. Kim continues to explore opportunities to acquire synergistic "under-achieving" companies in the fiber and flocking industries.

K-Omega Corporation (K-Omega) creates flocked parts for the automotive industry as a Tier 1 and Tier 2 supplier. Its two plants are located in Canton, Michigan, 22 miles southwest of Detroit, and Northwood, Ohio, near Toledo. Sales for 1993 were an estimated \$2,910,032

Flocking is the application of fine fiber particles to adhesive-coated surfaces. The resulting velvet-smooth surface improves appearance, reduces friction, and enhances functionality. Functional parts, which are required to withstand excessive physical abuse, are K-Omega's specialty.

History

John C. Kim formed the company in 1987 as the result of a consulting assignment for General Motors. Power windows were sticking in their channels and burning out the motors, sometimes starting fires. John Kim's investigation demonstrated that flocking the guide channels not only decreased the electrical energy requirements for raising and lowering the windows, but also reduced vibrational noises. General Motors awarded a contract to produce the channels.

Parts flocked by K-Omega under multi-year contracts are found on 12 current models of GM cars as well as current Ford, Chrysler, and Honda products. K-Omega's present production also includes parts for non-automotive applications.

One of K-Omega's competitors was Hi-Flo, a Northwood, Ohio, manufacturing company owned by Toray (Tokyo Rayon), a large chemical manufacturing company often referred to as "the DuPont of Japan." Toray had invested \$6 million including the construction of a state-of-the-art flocking production line, which produces flocked materials of extremely high quality-- "the Lexus look." It is the only factory in the United States with this equipment.

Despite their technical advantages, size, and financial strength, Hi-Flo was not able to achieve profitable sales levels, partially because of anti-Japanese sentiment on the part of American car makers, and partially due to Japanese car manufacturers' need to purchase from American-owned companies.

In July 1993, K-Omega purchased 100% of the stock of Hi-Flo.

Because of the Hi-Flo acquisition, K-Omega has the opportunity to protect some of its bottom line before taxes by virtue of nearly \$3 million in tax loss carry forwards.

K-Omega's patented fasteners.

Ford Motor Company will soon offer a 50,000 mile "squeak and rattle" warranty. This proved costly to implement in the dashboard, where clips were individually muffled with tape. K-Omega developed and patented a new process which enables them to manufacture a flocked clip that remains quiet for a tested 90,000 miles.

K-Omega is the sole supplier to Ford for these fasteners and expects to supply the other auto makers as well. K-Omega has contracts on hand for 10 million flocked clips for 1994 delivery. One supplier has asked for quotes for another 10 million. This market could easily grow beyond 50 million units a year.

John C. Kim also has affiliated stand-alone flocking companies in Monterrey, Mexico, and Ontario, Canada. The Monterrey facility was established at the request of Ford of Mexico and the Ontario facility at the request of General Motors. There is no flow of funds from K-Omega to these enterprises.

K-OMEGA MILESTONE EVENTS

- 1987: GM window channels contract
- 1987: Mexico affiliate formed
- 1992: Moved to larger factory
- 1993: Ontario affiliate formed
- 1993: Hi-Flo acquired
- 1993: Ford Q-1 rating*
- 1993: Flocked clip patent
- 1993: Canton plant expansion
- 1994: Hi-Flo equipment expansion

*the only flocking supplier in the United States to be so recognized.

Mann Industries

*(See attached Ernst & Young confidential memo of 8/93;
30 pages plus informational appendices.)*

John Kim of K-Omega became aware of Mann Industries in mid-1993 while investigating new sources for flocking material. In December 1993, he was informed that the company had been placed in receivership and the plant was shut down.

Mr. Kim believes that this circumstance presents a unique synergistic acquisition opportunity.

Mann Industries makes acrylic fiber, and also spins yarn from the fiber. Offices and production facilities are on a single 43-acre site near the James River in James City County, Virginia, about five miles east of Williamsburg.

The fiber plant was built by Dow Chemical in 1958; the spun yarn plant was built in 1973. BASF purchased the facility in 1976.

The 124,000 square foot fiber production plant has a capacity of 19 million pounds/year, based on current product mix and lot sizes. Potential capacity exceeds 24 million pounds. The yarn spin plant, which has a capacity of up to 12 million pounds a year depending on product mix, uses technology known as ring spinning, which is the preferred technology for outdoor and industrial yarns. It would cost \$35 million to \$50 million to duplicate the Mann factory.

BASF sold the complete facility to a group headed by a former employee, Dr. Joseph Mann, on November 17, 1989, for approximately \$15,000,000, of which \$10,000,000 represented finished yarn inventory for the apparel industry.

Mann's proprietary advantages.

Mann's homopolymer fibers are stronger and finer than the competition's co-polymer fibers, and cheaper.

Mann's fiber producing process is inorganic and water-based. DuPont has already exited the acrylic fiber business, and Bayer has exited many markets, because their organic, solvent-based processes are non-competitive both economically and environmentally with Mann's water-based process.

Major research & development breakthroughs in the last year and a half have enabled Mann to exploit its proprietary fiber and yarn products in lucrative technical niche markets.

John Kim and K-Omega see Mann as a unique acquisition opportunity: a very profitable, market leading, niche-oriented manufacturer of proprietary products.

Let's take a look at these products.

Mann's Proprietary Fibers & Yarns:

A-451

Outdoor applications

Mann Industries is the only integrated supplier in the world of single and two-ply pigmented acrylic yarns to customers who manufacture top-end lightfast products such as awnings, automobile tops, marine fabrics, and outdoor furniture.

Sales in 1993 were about \$9.5 million. Mann has 60% of the domestic acrylic outdoor furniture market and 10% of the acrylic marine fabric market. The awning segment is growing at a compound rate of about 20% a year; manufacturers who make fabric from Mann yarns are about to offer awnings with a five-year defect-free guarantee.

Acrylic yarns are preferred for use outdoors because they are more stable under outdoor exposure to sunlight and weather elements than nylon, polyester or cotton. Pigmented acrylic yarns have become the fabric of choice. Monsanto is the only other domestic producer of pigmented acrylic fiber. In the past three years, Mann has capitalized on its integrated fibre and yarn producing capacity to supply yarns to the outdoor trade, including exports. Monsanto has an exclusive agreement with Glen Raven Mills, leaving the rest of the market to Mann.

A-451 is particularly colorfast, dimensionally stable, bleach resistant, and resistant to degradation from sunlight. A French testing lab, TexTest, has determined that fiber A-451 is superior to any other product in strength, color retention, resistance to ultraviolet.

Revenues for A-451 were approximately 21% of sales for 1992. Management estimates that they can achieve 15 to 25% of an approximately \$160 million market for these outdoor yarns.

Advanced Fiber Technology projects sales of 2,370,000 pounds of A-451 in 1994, generating revenues of \$8,170,000. By 1997, sales are expected to reach 3,040,000 pounds and \$11,860,000.

Major A-451 Yarn Customers, 1993:

Dickson Elberton	857,500 lbs.	\$2,749,900
Ludlow	621,000 lbs.	\$1,737,400
Doran	457,300 lbs.	\$1,482,300
Wellington Sears	154,200 lbs.	\$456,900
Mastercraft	91,500 lbs.	\$285,200
West Point Pepperell	71,000 lbs.	\$231,500

Mann's Proprietary Fibers & Yarns

Biokryl

Biokryl has the unique ability to resist the proliferation of bacterial and fungal growth. It inhibits odor and mildew, and is nontoxic, odorless, and permanent. It can be used in clothing, health care products, sporting goods, and home furnishings.

Biokryl is distinctly different from its nearest competing products, which have a topical solution applied to commodity fibers after they are manufactured. This causes the effectiveness of the product to degrade with use, usually after one washing.

Biokryl, however, through a unique extrusion process known only by the Company, has its antimicrobial agent intimately incorporated into the fiber. The antimicrobial effect therefore lasts the life of the end product.

Biokryl is more effective than competing topically applied antimicrobial agents, hypoallergenic, non-toxic, and non-allergenic.

Biokryl's life-time efficacy, non-hazardous nature and relatively low cost have caused competitors to disband their efforts to produce a competing product. Instead, former competitors such as DuPont have opted to buy Biokryl for distribution to their customers.

Management and independent consultants estimate the market for antimicrobial fibers to exceed \$100 million.

Advanced Fiber Technology projects sales of 2,175,000 pounds of Biokryl in 1994, generating revenues of \$5,320,000. By 1997, sales are expected to reach 4,520,000 pounds and \$12,070,000.

Mann's Proprietary Fibers & Yarns:

Industrial friction products JM-190, A521/513

Industrial friction fibers are sold to customers for use in brake pad manufacturing for the automotive, truck, and train industries.

Mann developed and commercialized a refined, pulped homopolymer fiber that replaces Kevlar and asbestos in brakes, virtually displacing the only competitor, American Cyanamid's copolymer product. This fiber also has applications in cement, stucco and paint. While JM-190 provides "green strength" to brake pads before they are cured, it contributes little to the final brake performance.

Mann and Textron have jointly developed a second- generation product that could dominate this market. It combines carbon fibers with JM-190 so that the product gives green strength as well as final strength, at a much lower cost than DuPont's Kevlar product.

Advanced Fiber Technology projects sales of 692,000 pounds of industrial friction products in 1994, generating revenues of \$2,612,000. By 1997, sales are expected to reach 1,032,000 pounds and \$4,608,000.

Mann's Proprietary Fibers & Yarns:

Industrial Specialties

Homopolymer acrylic, unlike copolymer acrylic fiber and most other generic fibers, is very resistant to chemical attack, including hydrolysis by water or steam, reaction with acids, and other chemical reactions.

Mann's acrylic fiber is the only domestic acrylic fiber that can be used in such specialty applications as hot gas filtration (power plants), paper making felts, and other demanding applications.

Bayer dominated the US and world markets for many years, but is exiting the market because of an inability to be price competitive. The only other producers of significance are Hoechst AG in Germany and Montefibre in Italy.

A-507: Heavy duty for harsh conditions

High molecular weight; resists heat, sunlight, chemicals; used for filtration, sandbags, conveyor belts. Projected 1994 sales: 720,000 pounds, \$1,510,000.

CF-944: Conductive; static-free.

Used in carpets, uniforms, clean-room apparel, air filtration and static control products. This static-free fiber commands a premium price of \$20/lb. Projected 1994 sales: 12,000 pounds, \$240,000.

A-405 Tow: Cut fiber for flocking.

Flock fibers are created by cutting continuous filament acrylic into short fibers suitable for flocking. Pre-colored acrylic fibers offer several advantages including lower cost, consistent color, and better adhesion characteristics than nylon. Projected 1994 sales: 800,000 pounds, \$1,024,000.

The mission of
Advanced Fiber Technology, Inc.
through K-Omega Corporation.

The Woodward company has queried Mann's customers, who confirm that Mann's proprietary fibers and yarns are the best in their classes, both in quality and price, and represent probably the most advanced acrylic fiber and yarn technology in the world.

Mann's losses were primarily caused by an original and continued concentration on commodity yarns aimed at the apparel market. Our investigation discovered that BASF sold the facility expressly to get out of the commodity acrylic apparel market, which fluctuates wildly because of style changes and the dumping of apparel yarns by foreign competitors.

We also found that Mann was attempting to use the same deep-pocket management principles that BASF had used: a heavily layered management structure with a lack of effective internal communications, a huge inventory of parts and supplies (a \$2,000,000 inventory of spare parts as of 12/31/93), no outsourcing for repair and maintenance, no monitoring of utilities, etc. Although Mann's R&D breakthroughs gave it a formidable lineup of proprietary products, it was not able to change its product emphasis from apparel to niche markets in time to save the company.

K-Omega's strategy will be to immediately discontinue the production of apparel yarns and focus strictly on proprietary niche products. Excess yarn capacity formerly dedicated to apparel yarns will be mothballed. As we grow in other yarn areas, we can bring capacity back on line.

Unlike prior ownerships, AFT shall dedicate its finite resources to strategic priorities by:

- Avoiding the volatile commodity apparel business,
- Relying on outside vendors for maintenance and repair
- Adapting the Q-1 management and manufacturing quality standards used by K-Omega's flocking operations for Ford
- Taking full advantage of the reputation gained by its unique, proven new products
- Reducing inventory risk by adopting a "Just in Time" inventory program

Advanced Fiber Technology's mission is to become the most efficient producer of unique proprietary acrylic fiber yarns having qualities that serve growing niche markets so that the company will enjoy an attractive earning stream in almost any phase of the economy's cycle.

Details regarding the purchase of assets
of Mann Industries, Inc., by K-Omega Corporation

This transaction calls for the purchase of all assets owned by Mann Industries, Inc.

These include besides others:

1. Approximately 50 acres of land, plants and any improvements done since November 1989.
2. Plant equipment, inventory of spare parts, and any and all raw material that may be in place including fuel and acrylonitrile monomer.
3. All rolling stock such as trucks, railroad equipment, rail cars and various rights of way for the use and operation of railroad facilities.
4. Included in the 50 acres of land are all the easements, rights of way and the access to the real estate through BASF's property and arrangements for the maintenance of common areas of use such as roadways.
5. Agreement between BASF and Mann, whereby Mann has the first right of refusal on all of BASF's property.
6. Various agreements between Mann and BASF, including the provision of steam air and other maintenance services.
7. All the environmental agreements between Mann and BASF including the indemnification for the environmental issues. This includes the loan agreement whereby BASF is to construct an above-ground facility for the effluent treatment and expenses of which were to be treated as a loan.
8. All the intellectual property and the proprietary technology owned by Mann Industries including all the manufacturing procedures, patents, various purchasing agreements and lists of vendors.
9. All the marketing and sales information including any special arrangements and agreements relating to current and future developmental products.
10. All the agreements with Microban Products Company relating to supply of Microban biocide for the production of Biokryl and the worldwide exclusivity in the production of antimicrobial acrylics.
11. All the exclusivity and supply arrangements for Biokryl, including one with DuPont Corporation.
12. All the agreements on joint development of new or modified Biokryl and other products including ones with Textron, Schering Plough, Shaw Industries, Springs Industries, etc.
13. All trademarks, especially Biokryl.
14. The entire transaction will be contingent upon receiving the necessary operation permits from the State Government.