

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO DE COUR : 500-11-022623-041

SUPERIOR COURT

(Sitting as Tribunal designated
under the *Companies' Creditors
Arrangement Act*)

IN THE MATTER OF THE PLAN OF
ARRANGEMENT OF:

Qbiogene Inc., a legal person duly
constituted, having its place of business
at:

1801 de Maisonneuve Boulevard West
8th Floor
Montreal, Quebec H3H 1J9

Petitioner

– and –

RSM RICHTER INC.

Monitor

REPORT OF THE DESIGNATED MONITOR ON THE STATE OF THE PETITIONER'S
FINANCIAL AFFAIRS AND THE PLAN OF ARRANGEMENT
(Section 11.7(3) (b) (ii) of the *Companies Creditors' Arrangement Act*)

INTRODUCTION

1. On March 9, 2004, Qbiogene Inc. (the "Petitioner" or "Qbiogene") filed with the Quebec Superior Court, a "Motion for the Issuance of an Initial Order" pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA"). On that same date, Mr. Justice Paul Chaput issued an initial order (the "Initial Order"), *inter alia* appointing Richter & Associés Inc. (now known as RSM Richter Inc., pursuant to a name change that became official on May 18th, 2004) as monitor (the "Monitor").
2. On April 7, 2004, the Petitioner filed a Motion for the Extension of the Stay Period and on that same date, the Court issued an Order extending for the first time the Initial Order to May 28, 2004.
3. On May 27, 2004, the Court issued an Order extending for the second time the Initial Order to August 23, 2004.
4. In this Report all amounts are stated in Canadian currency unless otherwise noted.
5. We hereby inform the Creditors and the Court that the Monitor has not conducted an audit or investigation of the books and records or the receipts and disbursements of Petitioner and that accordingly, it cannot render an opinion regarding the accuracy or completeness of the information contained herein. The present information emanates from the books and records that have been made available to the Monitor, as well as from discussions with the management of Petitioner.

BACKGROUND

6. Qbiogene was originally founded in 1991. Its current form results from the acquisitions listed below and operations today are a combination of the following three founding companies:
 - Quantum (founded in 1991 and renamed Qbiogene Inc. in 2000);
 - BIO101 (founded in 1983 and acquired in 2000);
 - Appligene Oncor (founded in 1985 and acquired in 1999).
7. In 2000, Qbiogene's consolidated sales grew to \$20.8 million from \$13.8 million in the prior year, an increase of 50.7%.
8. At that time, Qbiogene's Management expected the market for life science research products and services to continue to experience rapid growth primarily due to increased spending in research and development and greater outsourcing of biopharmaceutical manufacturing by the public and private sectors.
9. Qbiogene's strategy at that time was to become a leading provider of standardized and custom products satisfying the needs of academic, biotechnology and pharmaceutical researchers for the early phases of their basic research. Qbiogene was also poised to offer manufacturing services aimed at the pre-clinical stage of biotechnology product development. To achieve this strategy, Qbiogene intended to grow the business by:
 - i) Developing innovative products and new generations of products and services either in-house, by in-licensing or through acquisitions;
 - ii) Providing manufacturing services (outsourcing) for the early clinical trial processes; and
 - iii) Continuing to pursue selective acquisitions that offer synergetic or complementary technologies.
10. In order to finance its expansion program, Qbiogene was contemplating an initial public offering ("IPO") for October 2001.
11. From September 2000, Management was actively involved in preparing this IPO and Qbiogene continued to expand by acquiring various companies and assets. More particularly, during 2000, Qbiogene purchased Excell Biotech Ltd. ("Excell") in Scotland, and in so doing, acquired the basic manufacturing capabilities central to its expansion program into the pre-clinical trial processes. These acquisitions and expansion projects were mainly financed through private placements from individuals and investment funds.
12. In planning for the IPO, it was decided that the Swiss stock market would most likely offer the best value because of its knowledge of the biotech sector.

13. In the summer of 2001, Alexis Corporation (“Alexis”), based in Switzerland, was acquired by Qbiogene not only to expand Qbiogene’s presence by entering into a specialized market but also to facilitate the envisaged IPO in Switzerland. The acquisition was completed in two steps. As this transaction was necessary to be able to complete the IPO, and time was of the essence, the second step of the acquisition resulting in control, was viewed as a hostile take-over with a high price tag.
14. Following the events of September 11, 2001 and the subsequent drop in worldwide stock markets, the IPO, scheduled for early October 2001 was cancelled.
15. Nevertheless, Qbiogene continued to invest in the establishment of its state of the art clinical grade manufacturing facility in Scotland, according to its growth strategy, while seeking replacement funding for the aborted IPO.
16. The final private placement occurred in October 2003, when \$7.0 million was injected into Qbiogene by two shareholders. These funds were used in part to pay a secured creditor’s arrears of \$1.6 million (QK Investments Inc.) and \$2.5 million was injected into Excell to fund part of the construction of its new manufacturing facilities. Approximately \$700,000 was paid in legal and agent fees in relation to the financing and \$383,000 was used to acquire a key product license. The balance was used to fund Qbiogene’s working capital requirements. In addition, existing shareholder loans of approximately \$4.2MM were converted into common shares of Qbiogene.
17. At the time this last financing was undertaken, the funding requirements for early 2004 were estimated to be in excess of \$8 million for Qbiogene and subsidiaries (the “Group”). The required funds could not be obtained and as a result, the manufacturing plant project (Excell) was ultimately abandoned.
18. During 2003 and 2004, Petitioner implemented an informal restructuring plan which included the closure of Qbiogene Research Services S.A. (“QRSA”) and terminated the employment of the CEO together with 20 employees in Montreal.
19. Management had also initiated discussions for the sale of Alexis and the Reagent Business units of Qbiogene but these discussions had not led at that time to any transaction.
20. In February 2004, the principal secured lender of Excell took possession of all of Excell’s assets and liquidated them. According to Petitioner, no additional value will be recovered from these assets. Following this, Le Fonds de Solidarité des Travailleurs du Québec (FTQ) demanded payment on the outstanding unsecured convertible note. Additionally, FTQ exercised their right to put shares of Alexis Corporation held by them to the Company.

21. On February 26, 2004, the principal secured lender of Qbiogene, namely QK Investments Inc. sent a letter of demand and notice under Section 244 of the *Bankruptcy and Insolvency Act*. This led to the present CCAA proceedings as Management felt that the assets of Qbiogene had a value in excess of the secured creditors' claims.

FINANCIAL RESULTS

22. The following presents the financial results of Petitioner (non-consolidated) for the last three years:

Qbiogene Inc.			
Statement of Earnings (Losses)			
For the Years Ended December 31,	2003	2002	2001
Sales	\$ 2,178,667	\$ 1,992,314	\$ 1,953,891
Cost of Sales	<u>1,740,751</u>	<u>1,116,716</u>	<u>1,672,923</u>
Gross Profit	<u>437,916</u>	<u>875,598</u>	<u>280,968</u>
	20%	44%	14%
General and Administration	176,035	298,753	3,387,959
Sales and Marketing	288,001	253,166	201,579
Research and Development	407,145	561,432	384,399
Operating Profit (Loss)	<u>(433,265)</u>	<u>(237,753)</u>	<u>(3,692,969)</u>
Corporate Expenses	251,490	345,940	-
Financial Charges	1,023,611	3,646,527	214,291
Write-down of Licences Cost	6,365	-	-
Gain on Disposal of Shares	(5,243,256)	-	-
Impairment of Investment	30,173,775	-	10,354,343
Provisions for Advances for Affiliates	-	-	5,000,000
FX (Gain) Loss	(511,723)	(2,180,689)	(756,541)
Expenses Associated to the IPO	-	-	<u>2,092,320</u>
Net Profit (Loss) before taxes	<u>\$ (26,133,527)</u>	<u>\$ (2,049,531)</u>	<u>\$ (20,597,382)</u>

23. For the year ended December 31, 2003, Qbiogene reported a non-consolidated loss of \$26.1 million, due in major part to the write-off of investments in its subsidiaries as follows:

Qbiogene Inc.	
Write-Off of Investment in Subsidiaries	
for the year ended December 31, 2003	
Qbiogene S.A. (Strasbourg)	\$ 13,804,731
Excell Biotech Ltd. (Excell)	13,662,018
Qbiogene Research Services S.A. (QRSA)	1,877,106
Quantum Biotechnologies S.A. (Quantum)	<u>829,920</u>
Total	<u>\$ 30,173,775</u>

24. Management attributes the Petitioner's current financial difficulties to several factors including the following:
- Following the events of September 11, 2001, the biotechnology sector of worldwide markets experienced an unprecedented slump;
 - Significant losses generated by various product lines and subsidiaries, most notably related to Strasbourg and Excell, the latter being now under liquidation proceedings;
 - A general lack of working capital;
 - The cancellation of the expected IPO subsequent to the events of September 11, 2001;
 - Operating losses in QRS and Strasbourg in 2002;
 - Operating losses in Carlsbad and Strasbourg in 2003.

FINANCIAL POSITION

25. The following presents Petitioner's latest estimates of its financial position, as at June 30, 2004:

Qbiogene Inc.	
Unaudited Non-Consolidated Balance Sheet	
as at June 30, 2004	
Assets	
Current assets	
Cash	\$ 85,400
Accounts receivable – Third parties	72,300
Accounts receivable – Subsidiary (Carlsbad)	1,192,200
Inventories	343,800
Prepaid and others	<u>381,200</u>
Total current assets	2,074,900
Advance to subsidiaries	6,591,100
Investments in subsidiaries (at cost)	22,828,700
Fixed assets and intangibles	1,262,100
Other assets	<u>157,800</u>
Total assets	<u>\$32,914,600</u>
Liabilities and Shareholders' Equity	
Deferred revenue	\$ 128,800
Secured creditors	2,082,200
Unsecured creditors	<u>8,690,300</u>
Total liabilities	10,901,300
Shareholders' equity (deficit)	<u>22,013,300</u>
Total liabilities & equity	<u>\$32,914,600</u>

Accounts Receivable – Subsidiaries

26. Preliminary analysis indicate that the accounts receivable from Carlsbad (\$1,192,200) will not be collected as Carlsbad does not have the financial capacity to pay historically outstanding bills although it is paying current amounts.

Inventories

27. Inventories consist of raw material, work-in-progress and finished goods. The components of the inventory is made of chemicals, powders, liquids and other microbiological elements.

Advances to Subsidiaries

28. Advances made to subsidiaries (\$6,591,100) are not likely to be collected.

Investment in Subsidiaries

29. The Petitioner's investment in subsidiaries is accounted for at cost and does not include the necessary write-down of the investment pursuant to the proposed sale of shares in Alexis, as well as the implied valuation of Carlsbad and Strasbourg as a result of the proposed sale of these units.

Fixed Assets and Intangibles

30. The fixed assets and intangibles are at net book value. Intangible assets represent approximately \$1.1 million of the total amount presented and has a minimal value.

Deferred Revenue

31. The deferred revenue results from payments from customers received in advance of the manufacturing of an order.

Secured Liabilities

32. The secured list of creditors as at July 14, 2004 consist of:

Qbiogene Inc.	
Estimated Secured Creditors	
(as at July 14, 2004)	
QK Investments Inc.	\$1,989,500
Toronto Dominion Bank	37,100
Shareholders Bridge Loan	<u>55,600</u>
Total	<u>\$2,082,200</u>

33. In addition, a creditor has claimed an amount of \$455,700 in the status as a secured lender. The secured status is contested by the Monitor and a Notice of Disallowance was sent on July 15, 2004.

Unsecured Liabilities

34. On April 15, 2004, the Court authorized the procedure for the filing of claims and a claims' bar date. The claims' bar date had been established at May 21, 2004, 5:00 p.m. (eastern daylight time) and at the time of the issuance of this report, the total amount owing to unsecured creditors has not yet been established since approximately \$2.7 million of the claims have been rejected for which creditors could still oppose the Notice of Disallowance of Claim.
35. Accordingly, unsecured creditors, as of the date of the Initial Order (March 9, 2004), could range as follows:

Qbiogene Inc. Unsecured Creditors as at March 9, 2004	
(in 000's)	
Total Potential Unsecured Claims (Maximum)	\$15,200
Less: Notice of Disallowance (issued July 14, 2004)	<u>2,700</u>
Potential Unsecured Claims (Minimum)	<u>\$12,500</u>

ACTIVITIES OF THE MONITOR

36. The Petitioner has provided the Monitor with its full cooperation and the Monitor has had unrestricted access to its premises, as well as to various books and records. The Monitor has implemented procedures to ensure a weekly monitoring of the receipts and disbursements, as provided by the CCAA, and is being provided with a weekly comparison and variance analysis of actual results against the Petitioner's cash flow projections filed with the application made pursuant to the CCAA.
37. The Monitor has been actively involved with Petitioner's Management in analyzing Petitioner's financial situation and its restructuring alternatives.
38. The Petitioner with the aid of the Monitor has devoted a significant amount of time and energy in developing a plan of action and a plan of arrangement with a view to maximize return for all stakeholders, as more fully described hereinafter.

OPERATIONS

General

39. Since the granting of the Initial Order, the Petitioner has continued to operate normally and service its clients including its subsidiaries. In general, the Petitioner has been able to obtain the cooperation of its employees and suppliers. The Petitioner has been able to maintain its level of quality and service to its customers.

Employees

40. Petitioner has continued to make salary payments to its employees in the ordinary course of business, with the exception of severance obligations relating to pre-filing terminations, the payment of which being stayed by the Initial Order.

Cash Flow

41. The Petitioner's unaudited statement of receipt and disbursements for the period March 8, 2004 to July 11, 2004 is as follows:

Qbiogene Inc.	
Unaudited Statement of Receipts and Disbursements	
From March 8, 2004 to July 11, 2004	
Cash receipts	
Receipts - accounts receivable	\$ 423,998
Intercompany expense reimbursement	185,243
Other	58,940
Total receipts	<u>668,181</u>
Disbursements	
Salaries & benefits	476,977
Travelling	25,652
Office expenses and utilities	9,682
Rent & parking	94,893
Professional fees	63,000
Bank charges	2,530
Supplies	27,598
Freight	13,643
Other	(5,194)
Total disbursements	<u>708,781</u>
Net receipts (disbursements) from operations	(40,600)
Bank balance - opening	109,725
Bank balance - closing	<u>\$ 69,125</u>

PLAN OF ACTION

42. Further to the Initial Order, Management of Petitioner, in conjunction with the Monitor, performed an analysis of Qbiogene's financial situation and financial projections that had been prepared by Management for all businesses of the Group for 2004. This analysis enabled Petitioner and the Monitor to determine a plan of action (the "Plan of Action") aimed at maximizing the return to all stakeholders.
43. The Plan of Action involved the sale of Qbiogene's interest in Alexis and the search for a purchaser or investors for the Reagent business units of Qbiogene the whole in order to allow the Petitioner to eventually submit a plan of arrangement.

Sale of Investment in Alexis Corporation

44. Alexis management had shown an interest in purchasing Qbiogene's position in Alexis or all of the shares of Alexis Corporation.
45. On April 5, 2004, an Order was rendered authorizing the Petitioner to enter into negotiations with Mr. Georges Chappuis under the supervision of the Monitor in order to sell Qbiogene's interest in Alexis. Following the granting of this Order, the Monitor and Qbiogene's Chairman entered into negotiations with Mr. Georges Chappuis, which resulted in the issuance of a letter of interest by Mr. Georges Chappuis and a group of investors, and ultimately, an offer was accepted by the Board of Directors of Qbiogene on April 20, 2004. The Share Purchase Agreement was signed on June 29, 2004.
46. On July 5, 2004, the Court authorized the sale of Qbiogene's interest in Alexis to this group of investors. The closing of the transaction is expected to take place on July 27, 2004.
47. The sale price of Qbiogene's interest in Alexis is such that it will allow the full repayment of the secured creditors holding security charging the assets of Qbiogene and will provide Qbiogene with funds to maintain the Montréal operations pending the investment discussed below and fund partly the plan of arrangement.

Reagent Business

Process

48. The Petitioner has retained the services of RSM Richter Corporate Finance (a division of RSM Richter Inc.) to assist the Petitioner in its efforts to sell the Reagent business units of Qbiogene whether by a sale of assets or by way of an investment in Qbiogene. This mandate included the preparation of the necessary documentation and the development and implementation of a sale process.

49. During the period between April 8, 2004 and May 7, 2004, RSM Richter Corporate Finance sent letters of solicitation with a Summary information document to more than 175 potential purchasers it had identified with the help of Management.
50. Follow-up calls were made and as a result 21 potential purchasers entered into a non-disclosure agreement and were therefore provided with a Confidential Information Memorandum to assist them in further analyzing this business opportunity.
51. Letters of intent had to be submitted by April 30, 2004. Letters of intent were received from 10 interested parties, which were then given access to a virtual data room which included more sensitive detailed information necessary for prospective buyers to prepare binding offers.
52. All interested parties were invited to visit the premises in Montréal, Strasbourg and Carlsbad.
53. On June 1st, 2004, three offers were received of which two were offers to purchase the assets of Petitioner and the assets of the subsidiaries. The third offer allowed the possibility to conclude an assets transaction or an investment in Qbiogene conditional on, among other things, the approval of a plan of arrangement by the creditors of Petitioner and the Court and, a plan of arrangement with the shareholders in order that the offeror could become the sole shareholder of Petitioner.
54. On June 28, 2004, the Board of Director of Qbiogene accepted a private placement offer from M.P. Biomedicals LLC considering that this transaction allowed for the best return for all stakeholders particularly the creditors of Petitioner.

Description of the Private Placement Offer

55. The offer made by M.P. Biomedicals LLC ("M.P.") is in the form of an investment in Qbiogene so that M.P. becomes its sole shareholder.
56. The consideration offered is as follows:
 - a substantial cash portion; and
 - 1,600,000 Series A redeemable (at \$1/share) preferred shares of M.P. convertible in 2% of outstanding common shares of M.P. immediately preceding the sale of M.P.'s common stock in an eventual underwritten public offering.
57. There are closing adjustments that may ultimately affect the above cash portion of the transaction.
58. The offer provides for a holdback amount of US\$800,000 for a period of six months.
59. The closing of the transaction is expected to take place no later than September 14, 2004.

60. The offer is conditional on, amongst others, the following:
- usual representations and warranties;
 - release and discharge from secured creditors;
 - no material adverse change;
 - plan of arrangement accepted by the creditors and sanctioned by the Court;
 - plan of arrangement accepted by the shareholders and the option holders and sanctioned by the Court.
61. The offer is conditional on the acceptance by the creditors and the Court of a plan of arrangement so that all liabilities of the Petitioner are settled as of the date of the Initial Order. As described in the next section, Petitioner's plan of arrangement provides for the net available cash generated from the Alexis transaction, the M.P. transaction and other sources of funds after payment of the secured creditors' claims, the statutory Crown's claims and the post-filing obligations, to be distributed to the unsecured creditors in final satisfaction of their claims.
62. The private placement offer, as indicated above, is also conditional on the acceptance by the shareholders and the option holders, and the sanction by the Court, of a plan of arrangement so that all present outstanding common shares (including warrants and options) be cancelled and that actual shareholders and options and warrants holders receive their pro rata share of the Series A Preferred Shares of M.P.

PLAN OF ARRANGEMENT

63. The creditors are receiving with this report a copy of the plan of arrangement of the Petitioner (the "Plan"). As such, the creditors should refer to this official document for the complete legal description as well as the complete terms of the Plan. In the case of any discrepancy between the Plan and this summary, the Plan shall take precedence. For the purpose of this report, we have employed the same terminology as defined and used in the Plan.

Affected Creditors

64. The Plan compromises only the claims of the unsecured creditors. The Petitioner has included all unsecured creditors in one class, who will share in the distribution provided for by the Plan.

Estimated Distribution to Creditors

65. As previously mentioned, the Alexis transaction will generate a surplus after the payment of the secured creditors' claims, certain Crown's claims and the post-filing obligations. As well, the M.P. transaction will generate a substantial amount of cash. Funds may also be received from holders of options and warrants that will exercise their rights pursuant to the plan of arrangement to be presented to them.
66. The Plan provides for the distribution to unsecured creditors of the net cash proceeds that will be available pursuant to the above-mentioned transactions after the payment of secured creditors' claims, certain Crown's claims and the post-filing obligations. The distribution to the unsecured creditors of the Petitioner will serve as full and final payment of their claims.
67. As of the date of this report, none of the Alexis or the M.P. transactions have been concluded and closing adjustments may affect the cash generated from these transactions.
68. Also, the amount to be generated from holders of options and warrants is presently unknown.
69. Both of the Alexis and the M.P. transactions required Qbiogene to make representations and warranties which were secured by leaving a portion of the purchase price and of the investment in the hands of an escrow agent. These funds will either serve to pay for any indemnity payable to Mr. George Chappuis's group or to M.P. or be remitted to the Monitor for distribution to unsecured creditors pursuant to the Plan. This amount is presently unknown.
70. Furthermore, until the closing of both of these transactions, Qbiogene is incurring post-filing obligations and while these expenses can be estimated, actual expenses will vary from these estimates.
71. Therefore, the estimated net cash available for distribution to the Affected Creditors is presently unknown. Based on certain assumptions, including the conclusion of the Alexis and M.P. transactions, it is estimated by Management of Petitioner and the Monitor that the proceeds available for distribution to the Affected Creditors will range from \$9 million to \$11 million.
72. The Plan contemplates that the Petitioner will remit to the Monitor the net cash available as a result of the above described events and that the Monitor will distribute same to creditors (after payment of secured creditor's claims, certain crown's claims and post-filing obligations) in two installments as follows:
 - 90% of the net available cash within 60 days of the Sanction Order;
 - the balance of the net available cash within 60 days following the receipt by the Monitor of the holdback amount from the M.P. transaction.

73. As the amount due to unsecured creditors is presently unknown, the recovery rate can be estimated as follows:

Qbiogene Inc.				
Plan of Arrangement				
(in 000's)		Distribution	Recovery Rate	
			High	Low
	Estimated unsecured creditors claims		\$ 12,500	\$ 15,200
	Estimated recovery rate			
	Estimated distribution	High	\$11,000	88.00%
		Low	\$9,000	72.00%

Voting on the Plan

74. In order for the Plan to be approved by the creditors, a majority vote, in number, representing more than two thirds in value of those creditors present and voting in person or by way of proxy, is required.

Application for Sanction Order

75. In the event that the Plan is approved by the creditors, the Petitioners will apply to the Court on August 6, 2004, at 9:15 a.m., in room 16.12 of the Palais de Justice de Montréal located at 1 Notre-Dame Street West, Montréal to obtain the Sanction Order.

ANALYSIS OF THE PLAN

76. The creditors must decide to either accept or reject the Plan submitted by the Petitioner.
77. The acceptance of the Plan by the Affected Creditors will permit the Petitioner to restructure its debt and its capital structure in order to continue its operations.
78. In the event that the Plan is rejected by the Affected Creditors, the Petitioner will have no other alternative than to proceed to the sale of its assets.
79. The sale of assets in an insolvency situation involves the forced liquidation of assets or alternatively, the sale of the business units as a going-concern, if possible.
80. The creditors should take into account the following factors in their decision:
- the settlement amount proposed in the Plan compared to any recoveries that could be realized upon the forced liquidation or if possible in an orderly liquidation;

- a fair and equitable treatment of the Affected Creditors (in relation to each other);
- future business benefits.

81. Our opinion as Monitor appointed by the Court with regard to the above-noted factors is as follows:

Plan versus Sale of Assets

82. It is important for the creditors to evaluate the Petitioner's Plan as compared to the alternative of a possible sale of assets should the Plan of Arrangement be rejected by the creditors.
83. As previously mentioned in this report, a sale process was initiated in the search for potential purchasers or investors. Offers for the acquisition of the assets of the Petitioner and the assets of its subsidiaries were received. The Board of Directors of the Petitioner approved the private placement offer because they considered it to be the best offer for all stakeholders, especially for the creditors of the Petitioner.
84. In the event that the Plan is rejected by the creditors, the assets of the Petitioner would most likely have to be sold in a forced liquidation scenario, possibly in the context of bankruptcy.
85. In the event of a forced liquidation, the Montréal operations would in all likelihood be interrupted as a Trustee in Bankruptcy would certainly not maintain the operations of a business which involves the manipulation of viruses and other microbiological elements, for obvious reasons. Therefore, the proceeds from the realization of the Montréal business would be limited to the liquidation value of the laboratory equipment and collection of accounts receivables; the inventory and work in progress would not generate any proceeds and may even create costs to dispose of.
86. Accordingly, the potential intrinsic business value of the Montréal business within the Reagent business unit would be lost and the value thereof would not be available for creditors.
87. In addition to depleted values of assets, the forced liquidation of Qbiogene, would entail significant cost of realization that are not required in the present scenario and would seriously prejudice all stakeholders.
88. The closing of the Montréal operations which produces custom products and provides special services within the Reagent business of the Qbiogene group would most likely impair the remaining operations of the business units of the group and ultimately impact their profitability, competitiveness, and therefore, their value.

89. The attitude of all parties interested in acquiring the various Reagent business units would, as often seen in similar situations, change given the bankruptcy of Qbiogene and accordingly, the sales price could be greatly diminished.

Reasonableness of the Plan

90. We believe that the Plan is fair and equitable to the creditors in general as well as in relation to each other. The Plan provides for a single class of creditors which are all treated alike. The treatment of secured creditors, post-filing obligations and certain crown claims as Unaffected Creditors or as giving rise to Unaffected Claims is also fair and reasonable in the circumstances and in view of their respective legal rights.
91. The Monitor is of the opinion that the Plan was prepared in a serious and diligent manner, and Petitioner acted throughout in good faith.

Future Business Benefits

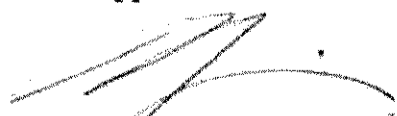
92. Since March 9, 2004, some suppliers have maintained ongoing business relations. The continuity of Petitioner's operations would allow these suppliers to maintain these business relations.

CONCLUSION

93. The Monitor is of the opinion that if the Plan is not approved by the creditors, the Petitioner may not be able to continue its operations, which could lead to a liquidation of its assets and possibly a bankruptcy. A forced liquidation would in all likelihood generate much less than the amount provided by the Plan.
94. Therefore, the Monitor is of the opinion that the acceptance of the Plan would be more advantageous for all parties involved than the forced liquidation of the Petitioner's assets.
95. We therefore recommend to the creditors to vote in favour of the Plan.
96. The creditors may remit their voting letter as well as their proxy to the Monitor prior to the meeting of creditors, or, alternatively, they may attend at the meeting of creditors to obtain any additional clarification they may deem necessary and vote thereat.

DATED AT MONTRÉAL, this 21st day of July, 2004.

RSM Richter Inc.
Court-Appointed Monitor



Per: Benoit Gingues, CA