

Court File No. 500-11-038490-104

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF REORGANIZATION AND COMPROMISE

OF

CONJUCHEM BIOTECHNOLOGIES INC.

PLAN OF REORGANIZATION AND COMPROMISE OF
CONJUCHEM BIOTECHNOLOGIES INC.

UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36,
as amended and
SECTION 191 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44

May 13, 2010

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SCHEDULES

PLAN OF REORGANIZATION AND COMPROMISE

Plan of Reorganization and Compromise of ConjuChem Biotechnologies Inc. pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, and pursuant to Section 191 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44.

ARTICLE 1 - INTERPRETATION

1.1 Definitions

In this Plan (including the Schedules hereto), unless otherwise stated or the context otherwise requires:

“**Administration Charge**” has the meaning ascribed to such term in the Initial Order;

“**Affected Claims**” means all Claims, other than Excluded Claims;

“**Affected Creditor**” means any Person that is a Holder of an Affected Claim and may, if the context requires, mean an assignee of an Affected Claim or a trustee, interim receiver, receiver manager, or other Person acting on behalf of such Person, if such assignee or other Person has been recognized by the Monitor, the Petitioner or the Disbursing Agent, as the case may be;

“**Affected Unsecured Claims**” means all Affected Claims;

“**Affected Unsecured Creditor**” means a creditor that is the Holder of an Affected Unsecured Claim;

“**Articles of Reorganization**” means the articles of reorganization of the Company in respect of the Company Reorganization to be filed pursuant to Section 191 of the CBCA, which shall be substantially in the form attached hereto as Schedule A;

“**Beneficial Debentureholders**” means the ultimate beneficial holders of the Debenture(s) holding such security(ies) in an account with a Clearing System Participant, including, for greater certainty, a Clearing System Participant, but only if and to the extent such Clearing System Participant holds the Debenture(s) as principal and on its own account, and “**Beneficial Debentureholder**” means any one of the Beneficial Debentureholders;

“**Bloom Burton**” means Bloom Burton & Co.;

“**Business Day**” means any day on which commercial banks are generally open for business in Montréal (Canada), other than a Saturday, a Sunday or a day observed as a holiday in Montréal under the laws of the Province of Québec or the federal laws of Canada applicable therein;

“**CBCA**” means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended;

“**CBCA Director**” means the Director appointed pursuant to Section 260 of the CBCA;

“**CCAA**” means the *Companies' Creditors Arrangement Act (Canada)*, R.S.C. 1985, c. C-36, as amended;

“**CCAA Charge**” has the meaning ascribed to such term in the Initial Order;

“**CCAA Proceedings**” means the proceedings in respect of the Petitioner before the Court commenced pursuant to the CCAA;

“**Chair**” means the person designated by the Monitor to preside as chairperson at the Creditors' Meeting;

“**Claim**” means any right of any Person against the Petitioner in connection with any indebtedness, liability or obligation of any kind of the Petitioner owed to such Person and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts existing prior to the Determination Date, or which would have been claims provable in bankruptcy had the Petitioner become bankrupt on the Determination Date and, without limitation, shall include any Restructuring Claim;

“**Claims Bar Date**” means the applicable bar date or dates for filing Claims for voting purposes or distribution purposes as set out in the Claims Process Order;

“**Claims Process Order**” means the Order of the Court dated April 29, 2010, establishing, among other things, procedures for proving Claims, as amended or supplemented from time to time by further Order(s) of the Court;

“**Clearing System**” means CDS Clearing and Depositary Services Inc.;

“**Clearing System Participants**” means banks, financial institutions, securities dealers or brokers, trust companies or other intermediaries identified as entities through which Beneficial Debentureholders hold Debentures in an account held therewith and that are participants in the Clearing System, and “**Clearing System Participant**” means any one of the Clearing System Participants;

“**Company**” means ConjuChem Biotechnologies Inc., a corporation created under and governed by the CBCA;

“**Company Reorganization**” has the meaning ascribed to such term in Section 5.1(1);

“**Court**” means the Quebec Superior Court, Commercial Division for the District of Montréal;

“**CRA**” means the Canada Revenue Agency;

“**Crown Claims**” has the meaning set out in Section 2.4(1)(e) hereof;

“**D&O Charge**” has the meaning ascribed to such term in the Initial Order;

“**Debentureholder**” means, as the case may require, a registered or Beneficial Debentureholder;

“**Debenture Claim**” means any Claim arising under the Debentures;

“**Debentures**” means a debenture, issued under the Indenture, including any debenture validly issued in replacement or in substitution of a Debenture;

“**Debentureholders Creditors Class**” means the class of creditors grouped in accordance with their Claims for the purposes of considering and voting on this Plan in accordance with the provisions of this Plan and receiving distributions hereunder, such class being comprised of the Debentureholders;

“**Determination Date**” means February 26, 2010;

“**Disallowed Claim**” means a Disputed Claim, or a portion of a Disputed Claim which has been disallowed and, in respect of which all appeal periods, as set out in the Claims Process Order, have expired;

“**Disbursing Agent**” means Richter;

“**Disputed Claim**” means an Affected Claim or that portion thereof that is subject to a Notice of Revision or Disallowance and in either case has become neither a Proven Claim nor a Disallowed Claim;

“**Distribution Amount**” means collectively the Distribution Amount to the General Affected Unsecured Creditors and the Distribution Amount to the Debentureholders;

“**Distribution Amount to the Debentureholders**” means the amount to be calculated under the terms of Section 2.6 and which is to be paid by the Company to the Disbursing Agent as provided for in Section 6.5;

“**Distribution Amount to the General Affected Unsecured Creditors**” means the amount to be calculated under the terms of Section 2.5 and which is to be paid by the Company to the Disbursing Agent as provided for in Section 6.5;

“Effective Date” means the date on which all conditions to the implementation of the Plan as set out herein have occurred or been satisfied or waived in accordance with the provisions hereof;

“Effective Time” means the time at which (i) all the conditions to the implementation of the Plan as set out herein contemplated by Section 8.5 hereof have occurred or been satisfied or waived in accordance with the provisions hereof and (ii) the Monitor has filed a certificate with the Court confirming that it has been informed to its satisfaction that all such conditions have been satisfied or waived in accordance with the provisions of this Plan;

“Employee Claims” has the meaning ascribed to such term in Section 2.4(1)(f) hereof;

“Excluded Claims” has the meaning ascribed to such term in Section 2.4(1) hereof;

“Existing Company Shares” means the existing shares in the capital of the Company issued and outstanding immediately prior to the Effective Date;

“Form of Proxy” means the form of proxy and instructions to Affected Unsecured Creditors, substantially in the form set out in Schedule B to the Creditors' Meeting Order;

“General Affected Unsecured Claims” means all Affected Claims to the exclusion of the Debentures Claims;

“General Affected Unsecured Creditor” means a creditor that is the Holder of a General Affected Unsecured Claim;

“General Affected Unsecured Creditors Class” means the class of creditors grouped in accordance with their Claims for the purposes of considering and voting on this Plan in accordance with the provisions of this Plan and receiving distributions hereunder, such class being comprised of the General Affected Unsecured Creditors;

“Governmental Authority” means any:

- (a) multinational, national, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, commission, board, official, minister, bureau or agency, domestic or foreign;
- (b) subdivision, agent, commission, board or authority of any of the foregoing; or
- (c) quasi-governmental or private body, including any tribunal, commission, regulatory agency or self regulatory organization, exercising any regulatory, expropriation or taxing authority under, or for the account of, any of the foregoing;

“Holder(s)” means, when used with reference to the Claims of any Person, the Person who has filed such Claim with the Monitor provided that the Monitor has recognized such Person as the holder of such Claim or the Person who has been assigned a Claim of any Person so recognized, subject to compliance with the provisions of Section 6.3 hereof. For the purposes of this Plan, the Holder of a Debenture Claim in respect of a Debenture shall be the Beneficial Debentureholder and, other than for voting purposes, if the context requires, shall include, without duplication, the Indenture Trustee in respect of such Debenture;

“Indenture” means the Debenture indenture dated December 13, 2007 between the Company, as issuer, and Computershare Trust Company of Canada as trustee pursuant to which the Company issued \$22,000,000 aggregate principal amount of 8% Convertible Unsecured Subordinated Debentures due in 2010, as amended from time to time;

“Indenture Trustee” means Computershare Trust Company of Canada, the trustee appointed in respect of the issue of the Debentures under the Indenture;

“Initial Distribution Date” means a date chosen by the Company in its discretion, occurring as soon as reasonably practicable after the Effective Date, but in any event no later than June 21, 2010;

“Initial Distribution Record Date” means the 15th day prior to the Initial Distribution Date;

“Initial Order” means the Order of the Court dated February 26, 2010, as amended and restated from time to time, pursuant to which, among other things, the Petitioner were granted certain relief under the CCAA;

“Interim Distribution Date” means the 1st Business Day occurring 90 days after the Initial Distribution Date, and subsequently, the 1st Business Day occurring ninety (90) days after the immediately preceding Interim Distribution Date;

“Interim Distribution Record Date” means, with respect to any Interim Distribution Date, the 15th day prior to such Distribution Date;

“KEIP Charge” has the meaning ascribed to such term in the Initial Order;

“Laws” means all laws, statutes, codes, ordinances, decrees, rules, regulations, by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, injunctions, orders or decisions of any Governmental Authority, statutory body or self-regulatory authority, including general principles of law having the force of law and the term **“applicable”** with respect to such Laws and, in the context that refers to any Person, means such Laws as are applicable to such Person or its business, undertaking, property or securities and emanate from a Governmental Authority or self regulatory authority having jurisdiction over the Person or its business, undertaking, property or securities;

“Meeting” or **“Creditors’ Meeting”** means the meeting of the Affected Unsecured Creditors convened pursuant to the Creditors’ Meeting Order for the purpose of, among other things, considering and, if deemed appropriate, passing the Resolution, and includes any adjournment, postponement or other rescheduling of such meeting;

“Meeting Date” means the date fixed for the Meeting under the Meeting Order;

“Meeting Order” or **“Creditors’ Meeting Order”** means the Order of the Court issued in the CCAA Proceedings, as it may be amended or supplemented from time to time by any further Orders of the Court which, among other things, sets the Meeting Date and establishes meeting procedures for the Meeting;

“Monitor” means Richter;

“New Common Shares” has the meaning ascribed to such term in Section 5.1(1)(a);

“Notice of Revision or Disallowance” has the meaning ascribed thereto in the Claims Process Order;

“Order” means any order of the Court in the CCAA Proceedings;

“Other Equity Securities” means, collectively, any and all securities, options (including, for greater certainty, stock options and employee stock options), warrants, entitlements, conversion rights, exchange rights, units, subscription rights, rights of first refusal, pre-emptive rights, or other rights, contractual or otherwise, whether vested or unvested, to acquire or receive any Existing Company Shares or any other equity, voting, special or preferred share in the capital of the Company, or any other ownership interests in the Company, and any contracts, subscriptions, commitments or agreements pursuant to which a Person was or could have been entitled to receive shares, securities or other ownership interests in the Company;

“Person” means any individual, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, foundation, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;

“Petitioner” means the Company;

“Plan” means this plan of reorganization and compromise of the Petitioner pursuant to the provisions of the CCAA and Section 191 of the CBCA, as it may be amended, varied or supplemented by the Petitioner from time to time in accordance with its terms, which plan incorporates and consolidates the reorganization;

“Post-Filing Claims” means any right of any Person against the Petitioner in connection with any indebtedness, liability, or obligation of any kind which arose in respect of obligations first incurred on or after the Determination Date and interest thereon, including any obligation of the Petitioner toward creditors who have

supplied or shall supply services, utilities, goods or materials or who have or shall have advanced funds to the Petitioner on or after the Determination Date, but only to the extent of their claims in respect of the supply of such services, utilities, goods, materials or funds on or after the Determination Date, or in respect of any executory contract or unexpired lease which has been deemed ratified pursuant to Article 7 hereof, provided, however, that a **“Post-Filing Claim”** shall not include any Restructuring Claims;

“Proof of Claim” has the meaning ascribed to such term in the Claims Process Order;

“Proven Claim” means, in respect of an Affected Unsecured Creditor, the amount or any portion of the amount of the Affected Unsecured Claim of such Affected Unsecured Creditor as finally determined for distribution purposes in accordance with the provisions of this Plan, the CCAA, the Claims Process Order and any other applicable Order;

“Redeemable Common Shares” has the meaning ascribed to such term in Section 5.1(1)(a);

“Released Parties” has the meaning ascribed thereto in Section 5.2(2) hereof;

“Required Majorities” means the affirmative vote of a majority in number of the Affected Creditors voting in each class of creditors set out in Section 2.3, having Voting Claims and voting on the Plan (in person or by proxy) at the Creditors’ Meeting for such class and representing not less than 66⅔% in value of the Voting Claims of the Affected Unsecured Creditors voting (in person or by proxy) at the Creditors’ Meeting for such class;

“Resolution” means, collectively, when required by the context, one or any of, the resolutions providing for the approval of the Plan by the Affected Unsecured Creditors;

“Restructuring Claim” means any right of any Person against the Petitioner in connection with any indebtedness, liability or obligation of any kind owed to such Person arising out of the restructuring, repudiation, termination, disclaimer or resiliation by the Petitioner on or after the Determination Date, of any contract, lease, employment agreement, collective agreement or other agreement, whether written or oral, or in connection with such agreements provided, however, that such Person receives a notice of repudiation, termination, disclaimer or resiliation from the Petitioner on or before May 5, 2010 and that a **“Restructuring Claim”** shall not include any Excluded Claims;

“Restructuring Claims Bar Date” means June 3, 2010;

“Richter” means RSM Richter Inc. in its capacity as Monitor duly appointed by the Court pursuant to the Initial Order;

“Sanction Date” means the date on which the Sanction Order is made;

“Sanction Order” means the order of the Court to be made under the CCAA and CBCA sanctioning the Plan and approving the Articles of Reorganization, as such order may be affirmed, amended or modified by the Court at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn, abandoned or denied, as affirmed or amended on appeal, in form and content which is satisfactory to Bloom Burton and the Company acting reasonably;

“Secured Claims” means a Claim other than a claim secured by a CCAA Charge, which is subject to a reservation of ownership, or secured by a security interest in or a hypothec or lien on the property of the Petitioner, which reservation of ownership is valid, or security interest, hypothec or lien is valid, perfected and enforceable pursuant to applicable Laws or by reason of a Court Order, to the extent of the value of such property, as of the Determination Date or such other date as is established by the Court;

“Servicer” means any indenture trustee, agent, or servicer that administers any agreement that governs the rights of a Holder of an Affected Unsecured Claim;

“Stock Option Plan” means the stock option plan substantially in the form described in Schedule B;

“Subscribers” means all the subscribers of the New Common Shares solicited by Bloom Burton and parties to the Subscription Agreement for New Common Shares;

“Subscription Agreement for New Common Shares” means the subscription agreement to be entered into between the Subscribers, Bloom Burton and the Company for the subscription of the New Common Shares for an aggregate amount of \$35,000,000;

“Taxes” means all federal, state, provincial, territorial, county, municipal, local or foreign taxes, duties, imposts, levies, assessments, tariffs and other charges imposed, assessed or collected by a Governmental Authority, including (a) any gross income, net income, gross receipts, business, royalty, capital, capital gains, goods and services, value added, severance, stamp, franchise, occupation, premium, capital stock, sales and use, real property, land transfer, personal property, ad valorem, transfer, licence, profits, windfall profits, environmental, payroll, employment, employer health, pension plan, anti-dumping, countervail, excise, severance, stamp, occupation, or premium tax, (b) all withholdings on amounts paid to or by the relevant Person, (c) all employment insurance premiums, Canada, Québec and any other pension plan contributions or premiums, (d) any fine, penalty, interest, or addition to tax, (e) any tax imposed, assessed, or collected or payable pursuant to any tax-sharing agreement or any other contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, deficiency, or fee, and (f) any liability for any of the foregoing as a transferee, successor, guarantor, or by contract or by operation of law; and

“**Voting Claim**” means, in respect of an Affected Unsecured Claim, the Canadian dollar amount of such Claim accepted for purposes of voting at the Creditors' Meeting in accordance with the provisions of the Creditors' Meeting Order.

1.2 Interpretation, etc.

For purposes of this Plan:

- (1) any reference in this Plan to a contract, instrument, release, indenture, agreement or other document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- (2) any reference in this Plan to an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified or supplemented;
- (3) all references to currency and to “\$” or “Cdn\$” are to Canadian dollars except as otherwise indicated;
- (4) all references in this Plan to Articles, Sections and Schedules are references to Articles, Sections and Schedules of or to this Plan;
- (5) unless otherwise specified, the words “hereof”, “herein” and “hereto” refer to this Plan in its entirety rather than to any particular portion of this Plan;
- (6) the division of this Plan into Articles, Sections, Schedules, and paragraphs and the insertion of captions and headings to Articles, Sections, Schedules and paragraphs are for convenience of reference only and are not intended to affect the interpretation of, or to be part of this Plan;
- (7) where the context requires, a word or words importing the singular shall include the plural and vice versa;
- (8) the words “includes” and “including” are not limiting; and
- (9) the word “or” is not exclusive.

1.3 Date for any Action

In the event that any date on which any action is required to be taken under this Plan by any of the parties is not a Business Day, that action shall be required to be taken on the next succeeding day which is a Business Day.

1.4 Time

All times expressed in this Plan are prevailing local time Montréal, Quebec, Canada unless otherwise stipulated.

1.5 Statutory References

Any reference in this Plan to a statute includes all regulations made thereunder and all amendments to such statute or regulations in force, from time to time, or any statute or regulations that supplement or supersede such statute or regulations.

1.6 Schedule

The Schedules are incorporated by reference into this Plan and forms an integral part of it.

ARTICLE 2 - COMPROMISE AND ARRANGEMENT

2.1 Background

The circumstances and events leading up to this Plan are described in Petitioner's Motions and in the reports filed by the Monitor in these proceedings.

2.2 Persons Affected

This Plan will become effective on the Effective Date in accordance with its terms and in the sequence set forth in Section 5.1 hereof. At the Effective Date, each Affected Claim against the Petitioner will be fully and finally compromised or otherwise assigned, transferred or alienated as set forth in this Plan, including the transactions described in Section 5.1. This Plan shall be binding on and enure to the benefit of the Petitioner, the holders of the Existing Company Shares, the holders of Other Equity Securities, the Affected Creditors, the Released Parties, any trustee, agent or other Person acting on behalf of any Affected Creditor and such other Persons who have received the benefit of, or are bound by any waivers, releases or indemnities hereunder.

2.3 Classes of Affected Claims

The General Affected Unsecured Creditors Class and the Debentureholders Creditors Class shall be the only two classes of Affected Claims for the purpose of voting on and distributions pursuant to this Plan.

2.4 Excluded Claims

- (1) This Plan does not affect the following claims (each, an "**Excluded Claim**" and, collectively, the "**Excluded Claims**"), the holders of which will not be entitled to vote at the Creditors' Meeting or receive any distributions under this Plan in respect thereof and which shall be treated as more fully described below:
 - (a) any claim secured by the Administration Charge;
 - (b) any claim secured by the KEIP Charge;
 - (c) any claim secured by the D&O Charge;
 - (d) any Post-Filing Claim;

- (e) any claim of Her Majesty the Queen in Right of Canada or of any Province described in Section 6 (3) of the CCAA (collectively, “**Crown Claims**”);
- (f) any claim of an employee or former employee described in Section 6(5) of the CCAA (collectively, “**Employee Claims**”);
- (g) any Secured Claim;
- (h) any claim described in Section 19(2) of the CCAA (“**Section 19(2) Claims**”); and
- (i) any claim of Colabor Group Inc. under the terms of the Indemnity Agreement entered into between Colabor Group Inc. and predecessors of the Petitioner and dated August 25, 2009;

- (2) Nothing in this Plan shall affect the Petitioner's rights and defences, both legal and equitable, with respect to any Excluded Claim including any rights arising under or pursuant to this Plan or any rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Excluded Claims.

2.5 Treatment of General Affected Unsecured Claims

Each General Affected Unsecured Creditor with Proven Claims shall receive in full and final satisfaction of its Proven Claims a cash distribution in an amount equal to the amount of its Proven Claims.

2.6 Treatment of Debentureholder

Each Debentureholder with Proven Claims shall receive in full and final satisfaction of its Proven Claims, a cash consideration in an amount equal to 33% of the amount of its Proven Claims.

2.7 Treatment of claims described in 2.4(1)(a), (b), (c) and (d)

Holders of claims described in Section 2.4(1)(a), (b), (c) and (d) will be paid in full by the Petitioner upon the Effective Date or in accordance with the terms of payment of such claims.

2.8 Treatment of Crown Claims

Within six months after the Effective Date, all Crown Claims will be paid in full by the Petitioner.

2.9 Treatment of Employee Claims

All Employee Claims will be paid immediately after the court's sanction of this Plan.

2.10 Treatment of Secured Claims

Each Holder of a Secured Claim shall receive, in full satisfaction, settlement, release and discharge of and in exchange for, such Secured Claim, at the sole option of the Petitioner: (i) the

return of the Holder's collateral securing the Secured Claim; or (ii) ratification of such Holder's security interest, lien or agreement, as applicable; or (iii) such other less favourable treatment as to which the Petitioner and such Holder shall have agreed upon in writing. Further, all valid, enforceable and perfected pre-Determination Date liens on property of the Petitioner held by or on behalf of Holders of Secured Claims with respect to such Claims shall survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such Holders of Secured Claims and/or applicable Law until, as to each such Holder of a Secured Claim, such time as: (a) the Holder of the Secured Claim: (I) has received a return of the Holder's collateral securing the Secured Claims; or (II) has had the lien or security interest securing the Secured Claim, or the agreement relating to such Secured Claim, ratified by the Petitioner; or (III) has agreed in writing with the Petitioner to such other less favourable treatment; or (b) such purported lien, security interest or agreement has been determined by an order of the Court to be invalid or otherwise avoidable.

2.11 Treatment of Section 19(2) Claims

If any, Section 19(2) claims will be paid in accordance with their terms.

ARTICLE 3 - VALUATION OF CLAIMS, CREDITORS' MEETING AND RELATED MATTERS

3.1 Conversion of Affected Unsecured Claims into Canadian Currency

For the purposes of determination of the value of Affected Unsecured Claims denominated in currencies other than Canadian dollars for voting purposes, such Affected Unsecured Claims shall be converted by the Monitor to Canadian dollars at the Bank of Canada noon spot rate of exchange for exchanging currency to Canadian dollars on the Determination Date.

3.2 Affected Unsecured Claims

- (1) Affected Unsecured Creditors shall be entitled to prove their Affected Unsecured Claims, vote in respect of the Plan, and receive the distributions provided for, under and pursuant to the Claims Process Order, the Creditors' Meeting Order and this Plan.
- (2) The Indenture Trustee and the Debentureholders, without duplication, shall be entitled to prove the Debentures Claim and the Beneficial Debentureholders shall be entitled to vote in respect of the Plan and receive the distributions provided for under and pursuant to the Claims Process Order, the Creditors' Meeting Order and this Plan.

3.3 Creditors' Meeting

The Creditors' Meeting shall be held in accordance with this Plan, the Creditors' Meeting Order and any further Order which may be made from time to time for the purposes of considering and voting on the Resolution or other matters to be considered at the Creditors' Meeting.

3.4 Approval by Affected Unsecured Creditors

The Petitioner will seek approval of the Plan by the affirmative vote of the Required Majorities. The Resolution to be voted on at the Creditors' Meeting, which will be decided by the Required Majorities on a vote by ballot, unless the Chair decides, in his or her sole discretion, to hold such vote by way of show of hands. The result of any vote will be binding on all Affected Unsecured Creditors, whether or not any such Affected Unsecured Creditor is present and voting (in person or by proxy) at the Creditors' Meeting.

3.5 Order to Establish Procedure for Valuing Claims

The procedure for valuing Affected Unsecured Claims for voting and distribution purposes, and resolving disputes in respect of any such valuation, is set forth in the Claims Process Order and the Creditors' Meeting Order. The Petitioner and the Monitor reserve the right to seek the assistance of the Court in valuing any Affected Unsecured Claim, if deemed advisable, or in determining the result of any vote on the Resolution or otherwise at the Creditors' Meeting, or the amount, if any, to be distributed to any Affected Unsecured Creditor under the Plan, as the case may be.

3.6 Claims for Voting Purposes

- (1) Each Affected Unsecured Creditor with a Voting Claim shall be entitled to one vote and the weight attributed to such vote (for the purposes of determining the Required Majorities) shall be equal to the aggregate Canadian dollar value of such Affected Unsecured Creditor's Voting Claim (if necessary, converted into Canadian dollars in accordance with Section 3.1 hereof). An Affected Unsecured Creditor's Voting Claim shall not include fractional numbers and Voting Claims shall be rounded to the nearest whole Canadian dollar amount.
- (2) If the amount of the Affected Unsecured Claim of any Affected Unsecured Creditor is not resolved for voting purposes at least five Business Days before the Creditors' Meeting Date in accordance with the Claims Process Order, and the Creditors' Meeting Order, the Affected Unsecured Creditor shall be entitled to vote at the Creditors' Meeting based on that portion of its Affected Unsecured Claim which has been accepted for voting purposes by the Monitor, without prejudice to the rights of the Petitioner, or the Affected Unsecured Creditor, with respect to the final determination of the Affected Unsecured Creditor's Claim for distribution purposes in accordance with the terms of the Claims Process Order, the Creditors' Meeting Order and this Plan.
- (3) Affected Unsecured Creditors whose Affected Unsecured Claims have been revised or disallowed, in full or in part, which revision or disallowance remains in dispute or under appeal in accordance with the Claims Process Order, shall have their voting intentions with respect to such disputed or disallowed amounts recorded by the Monitor and reported to the Court.

3.7 Adjournments

If the Creditors' Meeting is adjourned by the Chair in his or her sole discretion or because quorum is not obtained, the Creditors' Meeting will be adjourned, postponed or otherwise rescheduled by the Monitor to such date, time and place as may be decided by the Chair in his or her sole discretion.

3.8 Voting of Proxies

- (1) Any Affected Unsecured Creditor's proxy will be voted on any ballot in accordance with the Affected Unsecured Creditor's instruction to vote for or against the approval of the Resolution and any other matters before the Creditors' Meeting. In the absence of such instruction, the proxy will be voted for the approval of the Resolution.
- (2) Forms of proxy and the applicable voting instructions with respect to the Debentures Claim, to be established pursuant to the Creditors' Meeting Order, may confer discretionary authority on the individuals designated therein with respect to amendments or variations of matters identified in the notice of Creditors' Meeting and other matters that may properly come before the Creditors' Meeting.
- (3) All matters related to the solicitation of votes for the Creditors' Meeting, the mailing of materials to Affected Unsecured Creditors and the voting procedure and tabulation of votes cast with respect to the Creditors' Meeting shall be as set forth in the Creditors' Meeting Order.

3.9 Claims Bar Date

If an Affected Unsecured Creditor has failed to file its Proof of Claim prior to the relevant Claims Bar Date or Restructuring Claims Bar Date and has not been permitted to file a late claim pursuant to the Claims Process Order, that Affected Unsecured Creditor shall be barred from voting at the Creditors' Meeting and receiving a distribution, and the Petitioner shall be released from the Affected Unsecured Claims of such Affected Unsecured Creditor and Section 5.2(2) of this Plan shall apply to all such Claims. The foregoing does not apply to the Beneficial Debentureholders, all of whom shall be permitted to vote in respect of their Claims as determined and dealt with in accordance with the Creditors' Meeting Order.

ARTICLE 4 - PROCEDURE FOR RESOLVING DISTRIBUTIONS IN RESPECT OF DISPUTED CLAIMS

4.1 No Distributions Pending Allowance

Notwithstanding any other provision of this Plan, no distributions shall be made with respect to a Disputed Claim unless and until it has become a Proven Claim. Disputed Claims shall be dealt with in accordance with the Claims Process Order and this Plan.

ARTICLE 5 - IMPLEMENTATION OF THE PLAN

5.1 Plan Implementation

Plan Transactions

Each of the following transactions contemplated by and provided for under the Plan will be consummated and effected and shall for all purposes be deemed to occur on the Effective Date, in the sequence specified below. Therefore, all of the actions, documents, agreements and funding necessary to implement all of the following transactions must be in place and be final and irrevocable prior to the Effective Date and shall then be held in escrow and shall be released in the order specified below without any further act or formality.

On the Effective Date, each of the following transactions shall be consummated and effected:

- (1) Company Reorganization. The Articles of Reorganization previously filed with, and certified by, the CBCA Director shall become effective pursuant to which, among other things:
 - (a) The Company's existing share capital shall be amended to create (A) a new class of voting common shares (the "**New Common Shares**"), without par value, having the rights, privileges, restrictions and conditions set forth in Schedule I to Schedule A of the Articles of Reorganization, and to authorize the Company to issue an unlimited number of such New Common Shares, and (B) a new class of redeemable common shares (the "**Redeemable Common Shares**"), having the rights, privileges, restrictions and conditions set forth in Schedule I to Schedule A of the Articles of Reorganization, and to authorize the Company to issue an unlimited number of such Redeemable Common Shares;
 - (b) all Existing Company Shares that are issued and outstanding shall be exchanged for Redeemable Common Shares on the basis of one fully paid and non assessable Redeemable Common Share for each Existing Company Share;
 - (c) in consideration of an aggregate subscription amount of \$35,000,000 to be paid by Bloom Burton on behalf of the Subscribers to the Company, an aggregate amount of 35,000,000 New Common Shares shall be issued to the Subscribers as per the amounts in their respective Subscription Agreement for New Common Shares as fully paid and non-assessable shares;
 - (d) the Company's share capital shall be amended to delete the authorized Existing Company Shares from the Company's share capital;

(the steps set out in paragraphs 5.1(1)(a) to 5.1(1)(d) being collectively hereinafter referred to as the "Company Reorganization").

- (2) Cancellation of Other Equity Securities. All Other Equity Securities shall be cancelled for no consideration, and any agreement, contract, plan, indenture, deed, certificate or other document or instrument having created or governing such Other Equity Securities shall be terminated.
- (3) Compromise of Debt. The Company shall remit the Distribution Amount to the Disbursing Agent and the Affected Claims shall be settled, compromised, released or otherwise dealt with in accordance with this Plan in exchange for the consideration provided for in Sections 2.5 and 2.6. Debt settlements shall occur concurrently.
- (4) immediately following the completion of the transactions set forth in Section 5.1(3), the Redeemable Common Shares shall be redeemed by the Company and the aggregate redemption price shall be satisfied in accordance with the terms of the Redeemable Common Shares whereupon all of the Redeemable Common Shares shall be cancelled; and
- (5) the Company shall adopt, and be deemed to have adopted, the Stock Option Plan.

5.2 Plan Releases

The following releases will become effective at the Effective Time:

(1) Releases by the Petitioner

As at the Effective Time and subject to the provisions of Subsection 5.1(2) of the CCAA, the Petitioner will be deemed forever to release, waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities (other than the rights of the Petitioner to enforce this Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered thereunder or pursuant thereto) whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing in any way relating to the Petitioner, the subject matter of, or the transactions or events giving rise to, any Claims or interests that are treated in this Plan that could be asserted by or on behalf of the Petitioner against: (i) present or former directors, officers and employees of Petitioner in each case, in their respective capacities as of the Determination Date; (ii) the agents, legal counsel, financial advisor and other professionals of the Petitioner; (iii) the Monitor and its counsel and current officers and directors as well as the legal counsel to the directors of the Petitioner; and (iv) the Indenture Trustee and the agents, legal counsel and other professionals of the Indenture Trustee.

(2) Releases by Others

As at the Effective Time, the Petitioner and the Monitor, as well as their respective present and former officers, directors, principals, employees, financial advisors, counsel, investment bankers, consultants, agents and accountants, (collectively, the "**Released Parties**") will be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any indebtedness, liability, obligation, demand or cause of action of

whatever nature that any Person (including any Released Party) may be entitled to assert against any of the Released Parties including by way of a recourse for contribution or indemnification against or from any of them and including any and all claims in respect of potential statutory liabilities of the Persons for which the Initial Order authorized the granting of a CCAA Charge, but other than the rights of Persons to enforce this Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered hereunder or pursuant hereto, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Effective Time relating to, arising out of or in connection with the Claims, the business and affairs of the Petitioner, the CCAA Charges, this Plan, and the CCAA Proceedings, provided that nothing in this Section 5.2 will release or discharge the Petitioner from or in respect of any Excluded Claim.

5.3 Injunction Related to Releases

The Sanction Order will enjoin the prosecution, whether directly, derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of action, liability or interest released, discharged or terminated pursuant to this Plan.

5.4 Waiver of Defaults

From and after the Effective Time, all Persons shall be deemed to have waived any and all defaults of the Petitioner (except for defaults under the securities, contracts, instruments, releases and other documents delivered under this Plan or entered into in connection herewith or pursuant hereto) then existing or previously committed by the Petitioner or caused by the Petitioner, directly or indirectly, or non-compliance with any covenant, positive or negative pledge, warranty, representation, term, provision, condition or obligation, express or implied, in any contract, credit document, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Petitioner arising from the filing by the Petitioner under the CCAA or the transactions contemplated by this Plan or otherwise, and any and all notices of default and demands for payment under any instrument, including any guarantee arising from such default, shall be deemed to have been rescinded.

5.5 No Change in Control and no Assignment

Without limiting the generality of Section 5.4, the consummation of this Plan is not intended to, shall not be deemed to, and shall not constitute a change in ownership, a change in control or an assignment of contract or of rights under any employee benefit plan or program, financial instrument, loan or financing agreement, executory contract or unexpired lease or contract, lease or agreement in existence on the Effective Date and to which the Petitioner is a party.

5.6 Cancellation, Assignment, Transfer or Other Alienation of Debentures and Agreements

As at the Effective Time, except as otherwise specifically provided for in this Plan, (a) the Debentures and any other note, bond, debenture, indenture, or other instrument or document evidencing or creating any indebtedness or obligation of the Petitioner, except such notes, bonds, debentures, indentures or other instruments evidencing indebtedness or obligations of the Petitioner

that are deemed to be ratified pursuant to Article 7 of this Plan shall be cancelled, assigned, transferred or otherwise alienated, as the case may be, in accordance with the transactions described in Section 5.1, provided, however, that (b) the obligations of, and Affected Claims against, the Petitioner under, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the Debentures, and any other note, bond, debenture, indenture, or other instrument or document evidencing or creating any indebtedness or obligation of the Petitioner, except such notes or other instruments evidencing indebtedness or obligations under the terms of this Plan, as the case may be, shall be released and discharged as between a Holder of an Affected Claim and the Petitioner; provided further, that any agreement (including the Debentures Indentures) that governs the rights of a Holder of an Affected Claim and that is administered by a Servicer shall continue in effect solely for purposes of allowing such Servicer to make the distributions on account of such Affected Claims under this Plan; provided further, that the immediately preceding provision shall not affect the discharge of Affected Claims against the Petitioner under this Plan, or result in any expense or liability to the Petitioner. The Petitioner shall not have any obligations to any Servicer (or to any Disbursing Agent replacing such Servicer) for any fees, costs, or expenses and provided further, that nothing herein shall preclude any Servicer (or any Disbursing Agent replacing such Servicer) from being paid or reimbursed for fees, costs, and expenses from the distributions being made by such Servicer (or any Disbursing Agent replacing such Servicer) pursuant to such agreement in accordance with the provisions set forth therein, all without application to or approval by the Court.

ARTICLE 6 - PROVISIONS GOVERNING DISTRIBUTIONS

6.1 Distributions for Claims Allowed as at the Initial Distribution Date

Except as otherwise provided herein or as ordered by the Court, distributions to be made on account of Affected Unsecured Claims that are Proven Claims as at the Initial Distribution Record Date shall be made on the Initial Distribution Date. Thereafter, distributions on account of Affected Claims that are determined to be Proven Claims after the Initial Distribution Record Date shall be made on the Interim Distribution Date and in accordance with Article 4 and Article 6 of this Plan.

6.2 Currency to be used for the Distribution

For the purposes of determination of the Affected Unsecured Creditors Claims denominated in currencies other than Canadian dollars for distribution purposes, such Affected Unsecured Claims shall be converted by the Monitor to Canadian dollars at the Bank of Canada noon spot rate of exchange for exchanging currency to Canadian dollars on the Determination Date.

6.3 Assignment of Claims

For purposes of determining entitlement to receive any distribution pursuant to this Plan, the Petitioner, the Disbursing Agent and the Servicers, and each of their respective agents, successors and assigns shall have no obligation to recognize any transfer of Affected Claims unless and until notice of the transfer or assignment from either the transferor, assignor, transferee or assignee, together with evidence showing ownership, in whole or in part, of such Affected Claim and that such transfer or assignment was valid at Law, has been received by the Petitioner, the Disbursing Agent

or the Servicer, as the case may be, at least ten Business Days prior to the Initial Distribution Record Date or any Interim Distribution Record Date.

6.4 Interest on Affected Unsecured Claims

Except as specifically provided in this Plan, the Sanction Order or any contract, instrument, release, settlement or other agreement entered into in connection with this Plan, following the Determination Date, interest shall not be treated as accruing on account of any Affected Unsecured Claims for purposes of determining the allowance and distribution of such Affected Unsecured Claim. To the extent that any Proven Claim to which a distribution under this Plan relates is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable law, be allocated for income tax purposes to the principal amount of the Proven Claim (including the secured and unsecured portion of the principal amount of such Proven Claim) first and then, to the extent that the consideration exceeds the principal amount of the Proven Claim, to the portion of such Proven Claim representing accrued but unpaid interest (including interest in respect of any secured portion of such Proven Claim).

6.5 Distributions to Disbursing Agent

Upon the Effective Date but in any event no later than June 18, 2010, the Company will remit the Distribution Amount to the Disbursing Agent and the Disbursing Agent shall make all distributions required under this Plan subject to the provisions of Article 4 and Article 6 hereof. Upon payment of the Distribution Amount by the Company to the Disbursing Agent, the Company shall have and shall be deemed to have fulfilled all of its obligations under this Plan. The Disbursing Agent shall receive, without further Court approval, reasonable compensation for distribution services rendered pursuant to the Plan and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services to be paid directly and solely from the Distribution Amount. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Court.

6.6 Delivery of Distributions

- (1) **Proven Claims.** Subject to Section 6.3 hereof, distributions to Holders of Proven Claims shall be made by the Disbursing Agent or the appropriate Servicer (i) at the addresses set forth on the Proofs of Claim filed by such Holders (or at the last known addresses of such Holders if no Proof of Claim is filed or if the Petitioner or the Monitor have been notified in writing of a change of address), (ii) at the addresses set forth in any written notice of address change delivered to the Disbursing Agent after the date of any related Proof of Claim or (iii) in the case of a Holder of an Affected Claim whose Affected Claim is governed by an agreement and administered by a Servicer, at the addresses contained in the official records of such Servicer.
- (2) **Undeliverable Distributions.** If any distribution to a Holder of a Proven Claim is returned as undeliverable, no further distributions to such Holder of such Claim shall be made unless and until the Disbursing Agent or the appropriate Servicer is notified of the then-current address of such Holder, at which time all missed

distributions shall be made to such Holder without interest. Undeliverable distributions shall be returned to the Petitioner, until such distributions are claimed. The Petitioner shall make reasonable efforts to locate Holders of Proven Claims for which distributions were undeliverable. All claims for undeliverable distributions must be made on or before the later to occur of (i) the first anniversary of the Effective Date or (ii) six months after such Holder's Claim becomes a Proven Claim, after which date all unclaimed property shall revert to the Petitioner free of any restrictions or claims thereon and the claim of any Holder or successor to such Holder with respect to such property shall be discharged and forever barred, notwithstanding any federal or provincial laws to the contrary.

6.7 Withholding and Reporting Requirements

In connection with this Plan and all distributions hereunder, the Disbursing Agent shall, to the extent applicable, comply with all Tax withholding and reporting requirements imposed by any Law of federal, state, provincial, local, or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. The withholding and reporting requirements shall remain the sole responsibility of the Petitioner and the responsibility of the Disbursing Agent, if other than the Petitioner, shall be limited to following the Petitioner's instructions.

6.8 Guarantees and Similar Covenants

No Person who has a Claim under any guarantee, surety, indemnity or similar covenant in respect of any Claim which is compromised under this Plan or who has any right under any such covenant against an Affected Creditor in respect of, or to be subrogated to, the rights of any Person in respect of a Claim which is compromised under this Plan shall be entitled to any greater rights than the Affected Creditor whose Claim is compromised under this Plan.

ARTICLE 7 - TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

7.1 Contracts and Leases

Except as otherwise provided in this Plan; the Petitioner shall upon the Effective Date be deemed to have ratified each executory contract and unexpired lease to which it is a party (other than in respect of Claims arising from such contract or lease which, for greater certainty, will be Affected Claims which are compromised pursuant to this Plan), unless such contract or lease: (a) was previously repudiated or terminated by the Petitioner; (b) previously expired or terminated pursuant to its own terms; or (c) was amended as evidenced by a written agreement with the Petitioner, and in such case the amended contract or lease shall be deemed ratified.

ARTICLE 8 - MISCELLANEOUS

8.1 Confirmation of Plan

Provided that this Plan is approved by the Required Majorities:

- (1) The Petitioner shall ask the Court to issue the Sanction Order for the approval of this Plan; and
- (2) subject to the Sanction Order being made in form and substance acceptable to the Petitioner and Bloom Burton acting reasonably and the satisfaction of the conditions to the implementation of this Plan set forth in Section 8.5 hereof, this Plan shall be implemented by the Petitioner and shall be binding upon the Petitioner and all Persons referred to in Section 2.2 hereof and their respective successors and assigns.

8.2 Paramountcy

From and after the Effective Date, any conflict between this Plan and/or the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, mortgage, security agreement, and/or indenture, trust indenture, loan agreement, commitment letter, agreement for sale, the by-laws of the Petitioner, lease or other agreement or undertaking, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Petitioner as at the Effective Date will be deemed to be governed by the terms, conditions and provisions of this Plan and the Sanction Order, which shall take precedence and priority. For greater certainty, all Affected Creditors shall be deemed irrevocably for all purposes to consent to all transactions contemplated in and by this Plan.

8.3 Modification of Plan

The Petitioner, in consultation with the Monitor and with the consent of Bloom Burton, reserves the right to file any modification of, or amendment or supplement to, this Plan by way of a supplementary plan or plans of reorganization, compromise or arrangement (or any one or more thereof) prior to the Creditors' Meeting Date or at or before the Creditors' Meeting, in which case any such supplementary plan or plans of reorganization, compromise or arrangement (or any one or more thereof), shall, for all purposes, be and be deemed to form part of and be incorporated into this Plan. The Petitioner shall file any supplementary plans with the Court as soon as practicable. The Petitioner shall give notice to Affected Creditors of the details of any such modification, amendment or supplement at the Creditors' Meeting prior to the vote being taken to approve this Plan. The Petitioner may give notice of a proposed modification, amendment or supplement to this Plan at or before the Creditors' Meeting by notice which shall be sufficient if given to those Creditors present at such meeting in person or by proxy. After the Creditors' Meeting (and both prior to and subsequent to the obtaining of the Sanction Order), the Petitioner, in consultation with the Monitor and with the consent of Bloom Burton may at any time and from time to time vary, amend, modify or supplement this Plan, except the amount of the Distribution Amount and the Initial Distribution Date, without the need for obtaining an order of the Court or providing notice to the Affected Creditors if the Monitor determines that such variation, amendment, modification or supplement would not be materially prejudicial to the interests of the Affected Creditors under this Plan or the

Sanction Order and is necessary in order to give effect to the substance of this Plan or the Sanction Order.

8.4 Deeming Provisions

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

8.5 Conditions Precedent to Implementation of Plan

The implementation of this Plan by the Petitioner is subject to the following conditions precedent which, except for Section 8.5(1) below and as otherwise would be in violation of applicable Laws, may be waived in writing as provided in Section 8.6 hereof:

- (1) the approval of this Plan by the Required Majorities shall have been obtained;
- (2) the Sanction Order sanctioning this Plan shall have been made, entered and not appealed from and the operation and effect of the Sanction Order shall not have been stayed, reversed or amended, and shall among other things:
 - (a) declare that: (i) this Plan has been approved by the Required Majorities of Affected Creditors of the Petitioner in conformity with the CCAA; (ii) the Petitioner has complied with the provisions of the CCAA and the Orders of the Court made in the CCAA Proceedings in all respects; (iii) the Court is satisfied that the Petitioner has neither done nor purported to do anything that is not authorized by the CCAA; and (iv) this Plan and the transactions contemplated thereby are fair and reasonable, and in the best interests of the Petitioner, the Affected Creditors and the other stakeholders of the Petitioner (having considered, among other things, the composition of the vote, what creditors would receive in liquidation or sale as compared to this Plan, alternatives to this Plan or liquidation or sale, whether any oppression exists or has occurred, the treatment of shareholders and the public interest);
 - (b) order that this Plan (including the compromises, arrangements and releases set out herein and the transactions and reorganization described in Section 5.1) is sanctioned and approved pursuant to Section 6 of the CCAA and Section 191 of the CBCA and, as at the Effective Time, will be effective and will enure to the benefit of and be binding upon the Petitioner, the Affected Creditors and all other Persons stipulated in this Plan or in the Sanction Order;
 - (c) declare that the Petitioner and the Monitor are authorized to take all steps and actions necessary to implement this Plan;
 - (d) declare that the articles of the Company will be amended as set out in the Articles of Reorganization and effective as of the Effective Date;
 - (e) declare that all Other Equity Securities are of no further force or effect as of the Effective Date and that all such Other Equity Securities are cancelled and

any agreement, contract, plan, indenture, deed, certificate or other document or instrument having created or governing such Other Equity Securities shall be terminated as at such time;

- (f) declare that all Proven Claims determined in accordance with the Claims Process Order and the Creditors' Meeting Order are final and binding on the Petitioner and all Affected Creditors;
- (g) declare that the New Common Shares will be validly issued and outstanding as fully paid and non-assessable;
- (h) declare that, subject to the performance by the Petitioner of its obligations under this Plan, all contracts, leases, agreements and other arrangements to which the Petitioner is a party and that have not been terminated or repudiated pursuant to the Initial Order will be and remain in full force and effect, unamended, as at the Effective Time, and no Person who is a party to any such contract, lease, agreement or other arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of dilution or other remedy) or make any demand under or in respect of any such contract, lease, agreement or other arrangement and no automatic termination will have any validity or effect, by reason of:
 - (i) any event that occurred on or prior to the Effective Date and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults, events of default, or termination events arising as a result of the insolvency of the Petitioner);
 - (ii) the insolvency of the Petitioner or the fact that the Petitioner sought or obtained relief under the CCAA or the CBCA;
 - (iii) any compromises or arrangements effected pursuant to this Plan or any action taken or transaction effected pursuant to this Plan; or
 - (iv) any change in the control of the Petitioner or any assignment of any such contract, lease, agreement or other arrangement arising from the implementation of this Plan;
- (i) declare that the stay of proceedings under the Initial Order continues until the Effective Date;
- (j) declare that no meetings or votes of holders of Existing Company Shares or Other Equity Securities are required under any applicable Laws in connection with this Plan and the transactions described in Section 5.1 or the adoption or filing of the Articles of Reorganization;
- (k) confirm the releases contemplated by Sections 5.2(1) and 5.2(2) of this Plan;

- (l) preclude the commencement or prosecution, whether directly, derivatively or otherwise, or any demands, claims, actions, causes of action, counterclaims, suits, or any indebtedness, liability, obligation or cause of action released and discharged pursuant to this Plan; and
- (m) order that all CCAA Charges will be released and discharged as of the Effective Time;
- (3) all relevant Persons shall have executed, delivered and filed all documents and other instruments that, in the opinion of the Petitioner, acting reasonably, are necessary to implement the provisions of this Plan and/or the Sanction Order;
- (4) all conditions precedent to the implementation of this Plan in favour of Persons other than the Petitioner will have been satisfied or waived by such Persons;
- (5) all applicable approvals, certificates, rulings, permits, consents, notices and orders of, and all applicable submissions and filings with any or all Governmental Entities having jurisdiction for the completion of the transactions contemplated by this Plan (including the transactions contemplated in this Section 8.5 as conditions to the implementation of the Plan) shall have been obtained or made, as the case may be, by the Petitioner or Bloom Burton, in each case to the extent deemed necessary or advisable by the Petitioner and Bloom Burton in form and substance satisfactory to the Petitioner and Bloom Burton, including, if applicable, the approvals of, and any exempting orders from any relevant securities regulatory authorities;
- (6) the aggregate amount of \$35,000,000 to be paid by the Subscribers under the Subscription Agreement for New Common Shares shall have been received and be held in escrow by Bloom Burton on behalf of the Subscribers pending the release of such amount in accordance with the terms of this Plan and of the Subscription Agreement for New Common Shares;
- (7) no default shall have occurred, unless such default has been waived, under the Subscription Agreement for New Common Shares.

8.6 Waiver of Conditions

Each of the conditions set forth in Section 8.5 above except for the conditions set forth in Section 8.5(1), may be waived in whole or in part by the Petitioner or the other relevant parties to the documents and transactions referred to therein without any other notice to parties in interest or the Court and without a hearing. The failure to satisfy or waive any condition prior to the Effective Date may be asserted by the Petitioner regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Petitioner). The failure of the Petitioner to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

8.7 Notices

(1) Any notices or communication to be made or given hereunder to the Petitioner or the Monitor and the Disbursing Agent shall be in writing and shall refer to this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid mail or by telecopier addressed to the respective parties as follows:

(a) if to the Petitioner:

c/o McCarthy Tétrault LLP
1000 De La Gauchetière West
Suite 2500
Montréal, Québec
Canada H3B 0A2

Attention: Clemens Mayr and
Sylvain Vauclair
Fax: (514) 875-6246

(b) if to the Monitor or the Disbursing Agent:

c/o Gowling Lafleur Henderson LLP
1 Place Ville Marie
Suite 3700
Montréal, Québec
Canada H3B 3P4

Attention: Denis St-Onge
Fax: (514) 878-1450

or to such other address as any party may from time to time notify the others in accordance with this Section 8.8. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five Business Day period immediately preceding the commencement of such interruption, unless actually received, shall be deemed not to have been given or made. All such notices and communications shall be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the fourth Business Day following the date on which such notice or other communication is mailed. The unintentional failure by the Petitioner to give any notice contemplated hereunder to any particular Affected Creditor shall not invalidate this Plan or any action taken by any Person pursuant to this Plan.

- (2) Any notices or communication to be made or given hereunder by the Monitor, the Disbursing Agent or the Petitioner to an Affected Creditor may be sent by e-mail, ordinary mail, registered mail, courier or facsimile transmission. An Affected Creditor shall be deemed to have received any document sent pursuant to this Plan four Business Days after the document is sent by ordinary or registered mail and on the Business Day immediately following the day on which the document is sent by courier, e-mail or facsimile transmission. Documents shall not be sent by ordinary or registered mail during a postal strike or work stoppage of general application.

Notices or communications may be mailed to an Affected Creditor (i) to the address for such Affected Creditor specified in the Notice of Revision or Disallowance filed by an Affected Creditor, or (ii) to the address listed in the Proof of Claim or (iii) at the address set forth in any written notice of address changes delivered to the Disbursing Agent.

8.8 Severability of Plan Provisions

If, prior to the Sanction Date, any term or provision of this Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Petitioner, in consultation with the Monitor, and with the consent of Bloom Burton, acting reasonably, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

8.9 Revocation, Withdrawal or Non-Consummation

The Petitioner, upon consultation with the Monitor, reserves the right to revoke or withdraw this Plan at any time prior to the Sanction Date and to file subsequent plans of reorganization or arrangement with the consent of Bloom Burton. If the Petitioner revokes or withdraws this Plan, or if the Sanction Order is not issued, (i) this Plan shall be null and void in all respects, (ii) any Claim, any settlement or compromise embodied in this Plan (including the fixing or limiting of any Claim to an amount certain), assumption or termination, repudiation of executory contracts or leases affected by this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void, and (iii) nothing contained in this Plan, and no act taken in preparation for consummation of this Plan, shall: (a) constitute or be deemed to constitute a waiver or release of any Claims by or against the Petitioner or any other Person; (b) prejudice in any manner the rights of the Petitioner or any Person in any further proceedings involving the Petitioner; or (c) constitute an admission of any sort by the Petitioner or any other Person.

8.10 Governing Law

This Plan shall be governed by and construed in accordance with the law of the Province of Quebec and the federal laws of Canada applicable therein. Any questions as to the interpretation or

application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

8.11 Successors and Assigns

This Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and permitted assigns of any Person named or referred to in Section 2.2 hereof.

SCHEDULE "A"

Articles of Reorganization

(See attached)



Industry Canada Industrie Canada
Canada Business Loi canadienne sur les
Corporations Act sociétés par actions

FORM 14
ARTICLES OF REORGANIZATION
(SECTION 191)

FORMULAIRE 14
CLAUSES DE RÉORGANISATION
(ARTICLE 191)

1 -- Name of Corporation - Dénomination sociale de la société ConjuChem Biotechnologies Inc.	2 -- Corporation No. - N° de la société 452859-0
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3 -- In accordance with the order for reorganization, the articles of incorporation are amended as follows: Conformément à l'ordonnance de réorganisation, les statuts constitutifs sont modifiés comme suit :

The attached Schedule A is incorporated into this form.

Signature	Printed Name - Nom en lettres moulées Clemens Mayr	4 -- Capacity of - En qualité de Secretary	5 -- Tel. No. - N° de tél. 514-397-4258
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FOR DEPARTMENTAL USE ONLY - À L'USAGE DU MINISTÈRE SEULEMENT



SCHEDULE A

1. The authorized and issued share capital of the Corporation consisting of an unlimited number of Common Shares without par value, of which • Common Shares are presently issued and outstanding as fully paid and non-assessable, is amended by:
 - (a) creating an unlimited number of New Common Shares without par value;
 - (b) creating an unlimited number of Redeemable Common Shares without par value;
 - (c) exchanging all the issued and outstanding Common Shares for Redeemable Common Shares on the basis of one fully paid and non-assessable Redeemable Common Share for each issued Common Share; and
 - (d) cancelling all the authorized and unissued Common Shares and deleting the Common Shares from the Corporation's share capital;

so after giving effect to the foregoing, the authorized capital of the Corporation consists of an unlimited number of New Common Shares and an unlimited number of Redeemable Common Shares, all without par value.

2. The rights, privileges, restrictions and conditions attaching to the New Common Shares and the Redeemable Common Shares are set forth in the Schedule 1 attached hereto and forming part hereof.

SCHEDULE 1

NEW COMMON SHARES: The rights, privileges, restrictions and conditions attaching to the New Common Shares are as follows:

- (a) **Payment of Dividends:** The holders of the New Common Shares will be entitled to receive dividends if, as and when declared by the board of directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors may from time to time determine. Subject to the rights of the holders of any other class of shares of the Corporation entitled to receive dividends in priority to or concurrently with the holders of the New Common Shares, the board of directors may in its sole discretion declare dividends on the New Common Shares to the exclusion of any other class of shares of the Corporation.
- (b) **Participation upon Liquidation, Dissolution or Winding Up:** In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the New Common Shares will, subject to the rights of the holders of any other class of shares of the Corporation entitled to receive assets of the Corporation upon such a distribution in priority to or concurrently with the holders of the New Common Shares, be entitled to participate in the distribution. Such distribution will be made in equal amounts per share on all the common shares at the time outstanding without preference or distinction.
- (c) **Voting Rights:** The holders of the New Common Shares will be entitled to receive notice of and to attend all annual and special meetings of the shareholders of the Corporation and to one vote in respect of each New Common Share held at all such meetings.

REDEEMABLE COMMON SHARES: The rights, privileges, restrictions and conditions attaching to the Redeemable Common Shares are as follows:

- (d) **Fractional Interest:** No holder of a fractional interest in a Redeemable Common Share will be entitled to be registered on the books of the Corporation in respect of such fraction of a Redeemable Common Share.
- (e) **Redemption by the Corporation:** All the Redeemable Common Shares and fractional interests therein outstanding shall on the date of issuance of a certificate of amendment pursuant to Section 262 of the *Canada Business Corporations Act* giving effect to the articles of reorganization (the “**Effective Date**”) of the Corporation be automatically redeemed by the Corporation, without notice to the holders of such Redeemable Common Shares, on payment of \$ 0.00000001 for each whole Redeemable Common Share, such amount being herein referred to as the “**Redeemable Common Share Redemption Price**”. The Corporation will pay or cause to be paid to each holder of Redeemable Common Shares or fractional interests therein to be redeemed the Redeemable Common Share Redemption Price by cheque, provided that if the aggregate Redeemable Common Share Redemption Price

payable to any particular holder is less than \$ 10.00, the aggregate Redeemable Common Share Redemption Price payable to such holder will be deemed to be \$ 0.00 and the Redeemable Common Shares or fractional interests therein held by such holder will be redeemed as at the close of business of the Effective Date without any payment or further act or formality.

- (f) Voting Rights: The holders of the Redeemable Common Shares will be entitled to receive notice of and to attend all annual and special meetings of the shareholders of the Corporation and to one vote in respect of each Redeemable Common Share held at all such meetings.

SCHEDULE "B"
Stock Option Plan

(See attached)

CONJUCHEM BIOTECHNOLOGIES INC.
STOCK OPTION PLAN

1. Definitions

In this Plan:

- (a) **“Board”** has the meaning provided for in Section 3(a).
- (b) **“Business Day”** means a day of the week other than a Saturday, Sunday or a legal holiday recognized either in the Province of Quebec, or in a place where the concerned Optionee is normally resident.
- (c) **“Cause”** shall include:
 - i) the continued failure by the Optionee to substantially perform its duties in connection with its employment by, or service to, the Company or a Subsidiary (other than as a result of physical or mental illness) after the Company or Subsidiary, as the case may be, has given the Optionee reasonable written notice of such failure and a reasonable opportunity to correct it;
 - ii) the engaging by the Optionee in any act which is injurious to the Company or a Subsidiary or its reputation, financially or otherwise;
 - iii) the engaging by the Optionee in any act resulting or intended to result, directly or indirectly, in personal gain to the Optionee at the expense of the Company or a Subsidiary;
 - iv) the conviction of the Optionee by a court of competent jurisdiction on any charge involving fraud, theft or moral turpitude by the Optionee in connection with the business of the company or a Subsidiary; or
 - v) any other conduct that constitutes cause under applicable law.
- (d) **“Company”** has the meaning provided for in Section 2(a).
- (e) **“Consultant”** means, in relation to the Company, an individual or Consultant Company, other than an employee or a director of the Company, that:
 - i) is engaged to provide on a ongoing *bona fide* basis, consulting, technical, management or other services to the Company or to an affiliate of the Company, other than services provided in relation to a distribution (as defined in applicable Securities Laws);
 - ii) provides the services under a written contract between the Company or the affiliate and the individual or the Consultant Company;

- iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or an affiliate of the Company; and
 - iv) has a relationship with the Company or an affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company.
- (f) **“Consultant Company”** means for an individual Consultant, a company or partnership of which the individual is an employee, shareholder or partner.
- (g) **“Control”** by a person over a second person means the power to direct, directly or indirectly, the management and policies of the second person by virtue of:
- i) ownership of or direction over voting securities in the second person;
 - ii) a written agreement or indenture;
 - iii) being or Controlling the general partner of the second person; or
 - iv) being a trustee of the second person.
- (h) **“Disinterested Shareholder Approval”** has the meaning provided for in Section 13(c).
- (i) **“Early Expiry Date”** has the meaning provided for in Section 7(c).
- (j) **“Exchange”** means the TSX Venture Exchange.
- (k) **“Insider”** means:
- i) a director or senior officer of the Company,
 - ii) a director or senior officer of a company that is an Insider or Subsidiary of the Company;
 - iii) a person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Company, or
 - iv) the Company itself if it holds any of its own securities.
- (l) **“Investor Relations Activities”** has the meaning provided for in the TSX Venture Exchange Corporate Finance Manual.
- (m) **“Option Period”** has the meaning provided for in Section 7(a).
- (n) **“Optionee”** has the meaning provided for in Section 5(a).
- (o) **“Plan”** has the meaning provided for in Section 2(a).

- (p) **“Securities Act”** has the meaning provided in Section (j).
- (q) **“Securities Laws”** means securities legislation, including the Securities Act, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that are applicable to the Company.
- (r) **“Security Based Compensation Arrangement”** means any stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of securities of the Company, including a share purchase from treasury that is financially assisted by the Company by way of a loan, guarantee or otherwise.
- (s) **“Shares”** has the meaning provided for in Section 4(a).
- (t) **“Subscription Price”** has the meaning provided for in Section 6(a).
- (u) **“Subsidiary”** means, for the Company, a person that is Controlled by the Company.
- (v) **“Voting Share”** means a security of the Company that:
 - i) is not a debt security, and
 - ii) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

2. Purpose of the Plan

- (a) The purpose of the stock option plan (the **“Plan”**) of ConjuChem Biotechnologies Inc. (the **“Company”**) is to secure for the Company and its shareholders the benefit of an incentive interest in share ownership by directors, officers, employees and Consultants of the Company and its Subsidiaries.

3. Administration

- (a) The Plan shall be administered by the Company’s board of directors (the **“Board”**) or any committee thereof as the Board may designate. The Board shall have full and complete authority to interpret the Plan and to establish the rules and regulations applying to it and to make all other interpretations and determinations it deems necessary or useful for the administration of the Plan, which interpretations and determinations shall be conclusive and binding on the Company and all other affected persons. The day-to-day management of the Plan shall, under the supervision of the Board, be carried out by the Vice-President, Finance of the Company or such other person designated by the Board.

4. Shares Subject to the Plan

- (a) The shares subject to the Plan are common shares of the Company (the **“Shares”**), at the sole discretion of the Board. The maximum number of Shares reserved for

issuance pursuant to the Plan and any other Security Based Compensation Arrangement is ●, representing 14% of the Shares issued and outstanding on the date hereof. No single person may, at any time, be granted options hereunder to purchase more than 5% of the issued and outstanding Shares within any one year period, unless the required regulatory and shareholder approvals are obtained. All the Shares covered by options that shall have expired or that shall have been cancelled without being exercised shall become reserved Shares for the purpose of options that may be subsequently granted under the terms of the Plan.

5. Grant of Options

- (a) The Board shall from time to time designate the *bona fide* directors, officers, employees or Consultants of the Company or one of its Subsidiaries to whom options shall be granted (an “**Optionee**”) and the number of Shares covered by each of such options. Any Optionee may hold more than one option. The granting of each option shall be evidenced by a notice of grant from the Company, substantially in the form of the notice attached hereto as Schedule 1, addressed to the Optionee setting forth the number of Shares covered by such option, the subscription price, the terms and conditions of exercise of the option and the option period.
- (b) The number of Shares underlying options granted to Insiders, at any time, under the Plan and any other Securities Based Compensation Arrangement cannot exceed 10% of the issued and outstanding Shares.
- (c) The number of Shares underlying options granted to Insiders, within any one year period, under the Plan and any other Securities Based Compensation Arrangement cannot exceed 10% of the issued and outstanding Shares.
- (d) The number of Shares underlying options granted to any one Consultant, within any one year period, under the Plan and any other Securities Based Compensation Arrangement cannot exceed 2% of the issued and outstanding Shares.
- (e) The number of Shares underlying options granted to any one employee of the Company or its Subsidiaries conducting Investor Relations Activities, within any one year period, under the Plan and any other Securities Based Compensation Arrangement cannot exceed 2% of the issued and outstanding Shares.

6. Subscription Price

- (a) The subscription price for each Share underlying an option shall be established by the Board, but such price shall not be less than the closing price per Share on the Exchange on the trading day immediately preceding the day of grant of such option (the “**Subscription Price**”). If the Shares are not traded on the Exchange on such trading day, then the next preceding trading day on which a trade took place shall be used.

7. Option Period

- (a) Subject to the provisions of subsections 7(b) and (c), each option shall be exercisable in equal annual instalments over a three to five year period from the date of grant or during such other period as may be established by the Board, at its sole discretion (the “**Option Period**”); such period shall commence not earlier than the date of the granting of the option and shall terminate not later than 10 years after such date.
- (b) Options issued to Consultants performing Investor Relations Activities must vest in stages over 12 months with no more than 1/4 of the options vesting in any three month period.
- (c) Notwithstanding the provisions of subsection 7(a) and 7(b), an option shall not be exercisable by an Optionee from and after each and every one of the following dates (an “**Early Expiry Date**”), unless the Board decides otherwise:
 - (i) in the case where the Optionee is an officer or employee of the Company or one of its Subsidiaries, 90 days after the date on which the Optionee resigns, voluntarily leaves his/her employment with the Company or one of its Subsidiaries, or an Optionee’s employment with the Company or one of its Subsidiaries is terminated, (ii) in the case where the Optionee is a Consultant of the Company or one of its Subsidiaries, 90 days after the date on which the Optionee ceases to be a Consultant of the Company or one of its Subsidiaries for any reason other than death, or (iii) in the case where the Optionee is a director of the Company or one of its Subsidiaries, but is not employed by either the Company or one of its Subsidiaries, 90 days after the date on which such Optionee ceases to be a member of the relevant Board of Directors for any reason other than death;
 - (ii) in the case where the Optionee is an officer or employee of the Company or one of its Subsidiaries, six months following the date on which the Optionee’s employment with the Company or one of its Subsidiaries is terminated by reason of death, (ii) in the case where the Optionee is a Consultant of the Company or one of its Subsidiaries, six months following the date on which the Optionee ceases to be a Consultant of the Company or one of its Subsidiaries by reason of death, or (iii) in the case where the Optionee is a director of the Company or one of its Subsidiaries, but is not employed by either the Company or one of its Subsidiaries, six months following the date on which such Optionee ceases to be a member of the relevant board of directors by reason of death;
 - (iii) 90 days following the date on which the Optionee's employment with the Company or one of its Subsidiaries is terminated for any cause or reason other than those mentioned in paragraphs 7(c)(i), 7(c)(ii) and (iv) including, without limiting the scope of the foregoing, disability, illness, retirement or early retirement; or

- (iv) immediately in the case where the Optionee ceases to be eligible to receive options under the Plan as a result of being dismissed from its office or employment for Cause or upon an Optionee's contract as a Consultant being terminated before its normal termination date for Cause, including where an Optionee resigns its office or employment or terminates its office or employment or terminates its contract as a Consultant after being requested to do so by the Company or Subsidiary, as applicable, as an alternative to being dismissed or terminated for Cause.

Such rules shall not be interpreted in such a manner as to extend the Option Period beyond 10 years.

- (d) If the date on which an option expires is during or within 10 Business Days after the last day of a black out period during which a policy of the Company prevents an Insider from trading the Shares, the expiry date (including for greater certainty the Early Expiry Date) for the option shall be the last day of such 10 Business Day period.
- (e) All rights conferred by an option not exercised at the termination of the Option Period or from and after any Early Expiry Date shall be forfeited.

8. Exercise of Options

- (a) Subject to the provisions of Section 7, an option may be exercised in whole, at any time, or in part from time to time, during the Option Period, but in all cases in accordance with the exercise frequency established by the Board and applicable at the time of the grant.
- (b) An option may be exercised by written notice to the Secretary of the Company, substantially in the form of the notice attached hereto as Schedule 2. Such notice shall set forth the number of Shares subscribed and the address to which the certificate evidencing such Shares is to be delivered and shall also be accompanied by a certified cheque made payable to the Company in the amount of the Subscription Price. The Company shall cause a certificate for the number of Shares specified in the notice to be issued in the name of the Optionee and delivered to the address specified in the notice no later than 10 Business Days following the receipt of such notice and cheque.
- (c) The Company shall withhold taxes to the extent required by applicable law in respect of any amounts under this Plan.

9. No Assignment

- (a) No option or interest therein shall be assignable or transferable by the Optionee other than by will or the laws of succession. During the lifetime of the Optionee, options granted hereunder shall be exercisable only by the Optionee or the Optionee's legal representative.

10. Not a Shareholder

- (a) An Optionee shall have no rights as a shareholder of the Company with respect to any Shares underlying his/her option until he/she shall have become the holder of record of such Shares.

11. Offer for Shares of the Company

- (a) In the event that, at any time, an offer to purchase is made to all holders of Shares, notice of such offer shall be given by the Company to each Optionee and all unexercised options will become exercisable immediately at the Subscription Price, but only to the extent necessary to enable an Optionee to tender his/her Shares in response to the offer should an Optionee so desire.

12. Adjustments to shares

- (a) The number of Shares delivered to an Optionee upon exercise of an option shall be adjusted in the following events and manner, subject to the right of the Board to make such additional or other adjustments as it considers appropriate in the circumstances:
 - (i) upon a subdivision of the Shares into a greater number of Shares, a consolidation of the Shares into a lesser number of Shares or the issue of a stock dividend to holders of the Shares (other than dividends in the ordinary course), the number of Shares authorized to be issued under the Plan, the number of Shares receivable on the exercise of an option and the Subscription Price thereof shall be increased or reduced proportionately and the Company shall deliver upon the exercise of an option, in addition to or in lieu of the number of Shares covered by an option in respect of which the right to purchase is being exercised and without the Optionee making any additional payment, such greater or lesser number of Shares as results from the subdivision, consolidation or stock dividend;
 - (ii) upon the distribution by the Company to holders of the Shares of shares of any class (whether of the Company or another corporation, but other than Shares), rights, options or warrants, evidences of indebtedness or cash (other than dividends in the ordinary course), other securities or other assets, the Company shall deliver upon exercise of an option, in addition to the number of Shares covered by an option in respect of which the right to purchase is being exercised and without the Optionee making any additional payment, such other securities, evidence of indebtedness or assets as result from such distribution; and
 - (iii) upon a capital reorganization, reclassification or change of the Shares, a consolidation, merger, amalgamation, arrangement or other form of corporate reorganization or combination of the Company with another corporation or a sale, lease or exchange of all or substantially all of the assets of the Company, the Company shall deliver upon exercise of an option, in lieu of the Shares covered by an option in respect of which the right to purchase is

being exercised, the kind and amount of shares or other securities or assets as result from such event.

The purpose of such adjustments is to ensure that any Optionee exercising an Option after any such event shall be in substantially the same position as such Optionee would have been in if he or she had exercised the Option prior to such event.

- (b) An adjustment shall take effect at the time of the event giving rise to the adjustment, and the adjustments provided for in this Section 12 are cumulative.
- (c) The Company shall not be required to issue fractional Shares or other securities under the Plan and any fractional interest in a Share or other security that would otherwise be delivered upon the exercise of an Option shall be cancelled.
- (d) Except as expressly provided in this Section 12 or as determined by the Board, neither the issue by the Company of shares of any class or securities convertible into or exchangeable for shares of any class, nor the conversion or exchange of such shares or securities, affects, and no adjustment by reason thereof is to be made with respect to, the number of Shares that may be acquired on the exercise of any outstanding option or the Subscription Price of any outstanding option.

13. Amendment and Termination

- (a) The Board may, from time to time, in its sole discretion, amend, suspend or terminate the Plan, any portion thereof or any outstanding option, in accordance with and subject to applicable legislation and Exchange rules, without obtaining the approval of the shareholders of the Company. Any amendment to any provision of the Plan or of any outstanding option will be subject to any required regulatory approval or shareholder approval. Furthermore, to the extent that an amendment would materially prejudice the rights of an Optionee under an option previously granted, the consent or deemed consent of the Optionee shall be required for such amendment.
- (b) Notwithstanding any provision of the Plan, the Company will be required to obtain the approval of the shareholders of the Company for any amendment relating to any increase of the number of Shares reserved for issuance under the Plan pursuant to Section 4(a) (and under any other Security Based Compensation Arrangement of the Company).
- (c) Notwithstanding any provision of the Plan, the Company will be required to obtain Disinterested Shareholder Approval in order to decrease the Subscription Price for any Shares underlying options held by Insiders.

For the purposes hereof, “**Disinterested Shareholder Approval**” means the approval by the majority of votes cast by all shareholders of the Company at a shareholders’ meeting, excluding votes attaching to shares beneficially owned by Insiders to whom options may be granted under the Plan and associates of such Insiders.

14. Final Provisions

- (a) The Plan, the grant and exercise of options under the Plan and the Company's obligation to issue Shares on exercise of options shall be subject to all applicable federal, provincial and foreign laws, rules and regulations and the rules of any regulatory authority or stock exchange on which the securities of the Company are listed. No option shall be granted and no Shares shall be issued under the Plan where such grant or issue would require registration of the Plan or of such Shares under the securities laws of any foreign jurisdiction and any purported grant of any option or issue of Shares in violation of this provision shall be void. Shares issued to Optionees pursuant to the exercise of options may be subject to limitations on sale or resale under applicable securities laws.
- (b) The participation in the Plan of a director, an officer, an employee or a Consultant of the Company or one of its Subsidiaries shall be entirely optional and shall not be interpreted as conferring upon a director, an officer, an employee or a Consultant of the Company or one of its Subsidiaries any right or privilege whatsoever, except for the rights and privileges set out expressly in the Plan.
- (c) Neither the Plan nor any act that is done under the terms of the Plan shall be interpreted as restricting the right of the Company or one of its Subsidiaries to terminate the employment of an officer or employee, the consulting agreement of a Consultant or the appointment of a member of the Board or the board of directors of any of its Subsidiaries at any time.
- (d) Any notice of dismissal given to an officer or employee at the time his/her employment is terminated, or any payment in the place and stead of such notice, or any combination of the two, shall not have the effect of extending the duration of the employment for purposes of the Plan.
- (e) No director, officer, employee or Consultant of the Company or one of its Subsidiaries shall acquire the automatic right to be granted one or more options under the terms of the Plan by reason of any previous grant of options under the terms of the Plan.
- (f) The Plan does not provide for any guarantee in respect of any loss or profit which may result from fluctuation in the price of the Shares.
- (g) The Company and its Subsidiaries shall assume no responsibility as regards the tax consequences that participation in the Plan shall have for a director, an officer, an employee or a Consultant of the Company or one of its Subsidiaries, and such persons are urged to consult their own tax advisors in such regard.
- (h) The Plan and any option granted under the terms of the Plan shall be governed by and interpreted according to the laws of the province of Quebec and the laws of Canada applicable thereto.

Dated June ●, 2010.

* * *

Schedule 1**ConjuChem Biotechnologies Inc.****Stock Option Plan**

Notice of Grant

Date _____

Dear **[Name of Optionee]**:

This is to advise that in recognition of your contribution to our endeavours, you have been selected to participate in the ConjuChem Biotechnologies Inc. Stock Option Plan (the "**Plan**"). You have been granted a stock option to acquire _____ (___) common shares of ConjuChem Biotechnologies Inc. at a price of _____ dollars (\$___) per share.

Your stock option is subject to the provisions of the Plan, a copy of which is annexed hereto, and shall be vested as follows: _____.

Subject to section 7(d) of the Plan, the expiry date of your stock option is the earlier of (i) _____ or (ii) the date determined pursuant to section 7(c) of the Plan.

Yours truly,

CONJUCHEM BIOTECHNOLOGIES INC._____
Secretary

Schedule 2

ConjuChem Biotechnologies Inc.

Stock Option Plan

Subscription Form

Date _____

CONJUCHEM BIOTECHNOLOGIES INC.
225 President-Kennedy Avenue
Suite 3950
Montreal, Québec
H2X 3Y8

Attention of the Secretary

I, the undersigned, _____, hereby subscribe for _____ () common shares of ConjuChem Biotechnologies Inc. (the "Company") under the terms of the Stock Option Plan of the Company out of the _____ () common shares available for purchase by the undersigned, and I enclose herewith my cheque (or money order) made payable to the order of ConjuChem Biotechnologies Inc. in the amount of _____ dollars (\$) in payment of the said subscription.

Signature

Name (Print)

Address

Telephone