

CANADA

SUPERIOR COURT  
(Commercial Division)

PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL  
No.: 500-11-038490-104

(Sitting as a designated court pursuant to the  
*Companies' Creditors' Arrangement Act*)

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IN THE MATTER OF THE PLAN OF  
ARRANGEMENT AND COMPROMISE OF:

CONJUCHEM BIOTECHNOLOGIES INC.

Petitioner

-and-

RSM RICHTER INC.

Monitor

**MOTION FOR A SECOND EXTENSION OF THE INITIAL ORDER**  
(Section 11.02 of the *Companies' Creditors Arrangement Act* ("CCAA"))

TO THE HONOURABLE CHANTAL CORRIVEAU, J.S.C., THE PETITIONER  
RESPECTFULLY SUBMITS AS FOLLOWS:

**I. PROCEEDINGS UP TO THIS SECOND EXTENSION**

1. On February 26, 2010, this Court issued an order (the "Initial Order") pursuant to section 11.02 of the CCAA in respect of ConjuChem Biotechnologies Inc. ("ConjuChem") (the "Petitioner").
2. The Initial Order established March 19, 2010 as the "Stay Termination Date" (as defined therein) and a subsequent order of this court extended the Stay Termination Date to April 20, 2010.
3. Following the issuance of the Initial Order, RSM Richter Inc. (the "Monitor"), acting in its capacity as monitor of Petitioner and pursuant to the Sale or Investment Process ("SI Process"), as defined in the Initial Order, sent an investment opportunity information document to a targeted group of approximately 200 financial and strategic investors who could potentially be interested to purchase the assets of or invest in ConjuChem.
4. Petitioner also retained the services of Bloom Burton & Co. ("Bloom"), a leading Canadian healthcare investment banking firm to assist ConjuChem and the Monitor in the context of the SI Process.

5. As of the end of business on April 15, 2010, the target date for the receipt of offers pursuant to the SI Process, ConjuChem and the Monitor have received a letter of intention (the "LOI") on behalf of a group of investors (the "Investors") describing their intention to recapitalize ConjuChem and finance a distribution to creditors under a Plan of Reorganization and Compromise to be submitted to its creditors.
6. ConjuChem has discussed the SI Process and the LOI with some of its major stakeholders, namely:
  - Ahab Capital Management, Inc. ("AHAB");
  - Franklin Templeton Investments ("Franklin");
  - Athyrium Capital Management ("Athyrium"); and
  - Baker Brothers Investments ("Baker").
7. Those Stakeholders, hereinafter referred to as the Debentureholders, hold or represent holders who hold approximately the following principal amounts of Convertible Debentures:
  - AHAB: \$2,000,000;
  - Franklin: \$1,500,000;
  - Athyrium: \$12,000,000; and
  - Baker: \$3,520,000.

which represent approximately 95% in value of the Convertible Debentures and approximately 86% of ConjuChem's total pre-filing liabilities.
8. The Debentureholders have indicated that they fully support ConjuChem's view that the extension of the Initial Order sought herein in order to document the transaction contemplated by the LOI is fully warranted.
9. As appears from the updated Weekly Cash Flow Projections to July 2, 2010, filed herewith as exhibit R-1, ConjuChem is able to meet its obligation during such period and none of ConjuChem's creditors will suffer any real prejudice as a result of an extension of the Initial Order up to and including June 30, 2010.
10. ConjuChem believes that the extension of the Initial Order as requested herein is to the benefit of all of its stakeholders.
11. The Monitor has indicated that it will be filing the Monitor's Second Report which shall support the present motion.
12. Since the issuance of the Initial Order, ConjuChem has acted and continues to act in good faith, with due diligence and towards a potential transaction which can

preserve the business of ConjuChem and maximize value for all of its stakeholders.

**II. PURPOSE OF THE MOTION**

13. Accordingly, Petitioner hereby seeks an order from this Court extending the Stay Termination Date, up to and including June 30, 2010 which date shall then be the new Stay Termination Date, the whole subject to all other terms of the Initial Order.
14. During that extension, ConjuChem intends to finalize a Plan Funding Agreement with the Investors and the Plan of Reorganization and Compromise, seek a Claims Procedure Order and a Creditors Meeting Order and ideally hold the creditors meeting in the first half of June 2010.

**III. GENERAL**

15. Petitioner has served the present motion following the formalities provided for in the Initial Order to all parties who filed a Notice of Appearance in this file and to the Debentureholders.
16. Petitioner respectfully submits that the notices given of the presentation of the present motion are adequate and sufficient.
17. The present motion is well founded in fact and in law.

**WHEREFORE MAY IT PLEASE THIS HONOURABLE COURT TO:**

18. **GRANT** the present motion;
19. **DECLARE** that the notices given of the presentation of the present motion are adequate and sufficient;
20. **ORDER** that the Stay Termination Date as defined in the Initial Order, is extended by this Court up to and including June 30, 2010;
21. **DECLARE** that the Initial Order shall be otherwise unchanged;
22. **ORDER** the provisional execution of the Order notwithstanding any appeal without the necessity of furnishing any security;

**THE WHOLE WITHOUT COSTS, save and except in case of contestation.**

Montreal, this 16<sup>th</sup> day of April, 2010

*McCarthy Tétrault LLP*

**MCCARTHY TÉTRAULT LLP**

Attorneys for Petitioner  
ConjuChem Biotechnologies Inc.

CANADA

SUPERIOR COURT  
(Commercial Division)

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Monitor

**AFFIDAVIT**

*(Motion for a second extension of the Initial Order)*

I, the undersigned, Mark Perrin, Chief Executive Officer of ConjuChem Biotechnologies Inc., doing business at 225 Avenue President-Kennedy, suite 3950, in the city of Montréal, Province of Québec, H2X 3Y8, do solemnly declare as follows:

1. I am a duly authorized representative of ConjuChem Biotechnologies Inc. ("ConjuChem");
2. All the facts alleged in the *Motion for a second extension of the Initial Order* are true.

AND I HAVE SIGNED

(S) MARK PERRIN

MARK PERRIN

SOLEMNLY DECLARED before me,  
this 16<sup>th</sup> day of April 2010

(S) DENIS ST-ONGE (LAWYER)  
Commissioner of Oath for the District of Montreal

**CANADA**

**SUPERIOR COURT  
(Commercial Division)**

**PROVINCE OF QUÉBEC  
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*Companies' Creditors' Arrangement Act*)**

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**IN THE MATTER OF THE PLAN OF  
ARRANGEMENT AND COMPROMISE OF:**

**CONJUCHEM BIOTECHNOLOGIES INC.**

**Petitioner**

**-and-**

**RSM RICHTER INC.**

**Monitor**

**NOTICE OF PRESENTATION**  
*(Motion for a second extension of the Initial Order)*

**TO: Mr. Gilles Robillard  
RSM Richter Inc.  
2 Place Alexis Nihon  
Montréal (Québec) H3Z 3C2  
GRobillard@rsmrichter.com**

**Me Denis St-Onge  
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**Me Richard Proulx  
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Autorité des marchés financiers  
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richard.proulx@lautorite.qc.ca**

**Me Hubert Sibre**  
**Davis LLP**  
1501 avenue McGill College  
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Counsel to: Novozymes, Biopharma DK A/S  
Novozymes, Biopharma UK Ltd  
hsibre@davis.ca

**Me Jean C. Fontaine**  
**Stikeman Elliott LLP**  
1155 René-Lévesque Blvd. West  
Montréal, Québec H3B 3V2  
Counsel to Athyrium Capital Management  
jfontaine@stikeman.com

**Ahab Capital Management, Inc.**  
**Attention: Mark Fischer**  
**Attention: Jonathan Gallen**  
299 Park Ave.,  
New York, NY 10171  
mf@ahabcap.com  
jg@ahabcap.com

**Franklin Templeton Investments**  
**Attention: Evan McCulloch**  
One Franklin Parkway 920/4  
San Mateo, CA 94403  
evan.mcculloch@frk.com

**Athyrium Capital Management**  
**Attention: Laurent D. Hermouet, CFA**  
**Attention: Jeffrey A. Ferrell**  
126 East 56<sup>th</sup> Street, 4<sup>th</sup> Floor  
New York, NY 10022  
lhermouet@athyriumcap.com  
jferrell@athyriumcap.com

**Baker Brothers Investments**  
**Attention: Felix J. Baker, PhD**  
667 Madison Avenue, 21<sup>st</sup> Floor  
New York, NY 10065  
fbaker@bbinvestments.com

**Neil Gilligan**  
neilgilligan@gmail.com

**TAKE NOTICE** that the *Motion for a second extension of the Initial Order* will be presented before the Honorable Chantal Corriveau, J.S.C., sitting as a designated judge pursuant to the *Companies' Creditors' Arrangement Act*, at the Montreal courthouse, located at 1 Notre-Dame Street East, Montreal, Quebec, H2Y 1B6, on **April 20, 2010**, in a room to be determined (a subsequent email will follow) at **9:15**, or as soon thereafter as counsel may be heard.

**DO GOVERN YOURSELVES ACCORDINGLY.**

Montreal, this 16<sup>th</sup> day of April, 2010

*McCarthy Tétrault LLP*

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**MCCARTHY TÉTRAULT LLP**

Attorneys for Petitioner

ConjuChem Biotechnologies Inc.

CANADA

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RSM RICHTER INC.

Monitor

**LIST OF EXHIBIT**  
*(Motion for a second extension of the Initial Order)*

**EXHIBIT R- 1:** Updated Weekly Cash Flow Projections to July 2, 2010.

Montreal, this 16<sup>th</sup> day of April, 2010

*McCarthy Tétrault LLP*

MCCARTHY TÉTRAULT LLP

Attorneys for Petitioner

ConjuChem Biotechnologies Inc.



No. 500-11-038490-104  
SUPERIOR COURT - COMMERCIAL DIVISION  
(IN BANKRUPTCY AND INSOLVENCY)  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

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MOTION FOR A SECOND EXTENSION OF  
THE INITIAL ORDER  
(SECTIONS 11.02 OF THE COMPANIES'  
CREDITORS ARRANGEMENT ACT ("CCAA"))

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EXHIBIT R-1

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Mtre Sylvain A. Vancloir/nf/199797-420164

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BC0847

McCarthy Térrault LLP

Avocats • Agents de brevets et marques de commerce  
Barristers & Solicitors • Patent & Trade-mark Agents

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1000 De La Gauchetière Street West  
Montréal (Québec) H3B 0A2  
Tel.: 514 397-4100  
Fax: 514 875-6246

ConjuChem Biotechnologies Inc.  
Cash Flow Projections  
For the 11 weeks ended July 2, 2010

Week Ended	23-Apr-10	30-Apr-10	07-May-10	14-May-10	21-May-10	28-May-10	04-Jun-10	11-Jun-10	18-Jun-10	25-Jun-10	02-Jul-10	Total
<b>Cash Receipts</b>												
GST/QST Receivable	-	-	-	-	-	-	-	-	-	-	-	-
R&D Tax Credits Receivable	-	-	-	-	-	-	-	-	-	-	-	-
Withholding tax receivable	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash Disbursements</b>												
<b>Research</b>												
Supplies	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	11,000
<b>Development</b>												
Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory	-	3,000	-	-	-	-	-	-	-	-	-	3,000
Clinical Insurance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating &amp; Overhead Expenses</b>												
Wages & levies	-	84,500	-	81,000	-	84,500	-	81,000	-	84,500	-	415,500
Director's Fees	-	-	-	-	-	44,000	-	-	-	-	-	44,000
Rent	-	-	105,000	-	-	-	35,000	-	-	-	-	140,000
Municipal and School Tax:												
Insurance	20,000	2,000	-	-	-	-	-	-	-	20,000	-	40,000
Administration	12,500	2,500	4,000	500	5,000	2,500	4,000	500	5,000	2,500	4,000	46,000
Investor Relations	-	-	12,000	-	-	-	12,000	-	-	-	12,000	43,000
Housing and Airfare	1,500	8,500	13,000	1,500	1,500	1,500	13,000	1,500	1,500	1,500	1,500	36,000
Interest on debentures	-	-	-	-	-	-	-	-	-	-	-	46,500
<b>Professional Fees</b>												
Legal - Gowlings	-	-	50,000	-	-	-	50,000	-	-	-	50,000	150,000
Legal - McCarthy	-	-	50,000	-	-	-	50,000	-	-	-	50,000	150,000
Legal - Patent Fees	-	270,000	-	5,000	-	250,000	-	-	-	55,000	-	580,000
Consultant - RSM	-	-	50,000	-	-	-	50,000	-	-	-	50,000	150,000
Auditors - E&Y	-	-	-	-	-	18,000	-	-	-	-	-	18,000
PWC	-	-	-	-	-	10,000	-	-	-	-	-	10,000
<b>Total Disbursements</b>	35,000	371,500	285,000	89,000	7,500	433,500	215,000	84,000	7,500	186,500	168,500	1,883,000
<b>Opening Cash and Investments</b>	2,959,865	2,924,865	2,553,365	2,268,365	2,179,365	2,171,865	1,738,365	1,523,365	1,439,365	1,431,865	1,245,365	2,959,865
(-) Net Cash Flow	(35,000)	(371,500)	(285,000)	(89,000)	(7,500)	(433,500)	(215,000)	(84,000)	(7,500)	(186,500)	(168,500)	(1,883,000)
<b>Closing Cash and Investments</b>	2,924,865	2,553,365	2,268,365	2,179,365	2,171,865	1,738,365	1,523,365	1,439,365	1,431,865	1,245,365	1,076,865	1,076,865

The above cash flow projections are based on the same assumptions presented in Appendix 2 to the Report of RSM Richter Inc., in its capacity as the Proposed Monitor of the Petitioner, prepared in support of the Petition for the issuance of an Initial Order and in Exhibit P-3 to the Petition for the issuance of an Initial Order.