

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
No.: 500-11-038490-104

**SUPERIOR COURT**  
**(Commercial Division)**  
***The Companies' Creditors Arrangement Act***

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**IN THE MATTER OF THE PLAN OF  
REORGANIZATION AND COMPROMISE WITH  
RESPECT TO:**

**CONJUCHEM BIOTECHNOLOGIES INC.**, a legal person duly incorporated under the laws of Canada, having its principal place of business at 225 President-Kennedy, 3<sup>rd</sup> Floor, suite 3950, Montreal, Quebec, H2X 3Y8

**Petitioner**

-and-

**RSM RICHTER INC.**, a duly incorporated legal person having its principal place of business at 2 Place Alexis-Nihon, in the city and district of Montreal, H3Z 3C2

**Monitor**

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**REPORT OF THE MONITOR FOR THE PURPOSE OF  
THE SANCTION OF THE AMENDED PLAN OF REORGANIZATION AND COMPROMISE  
June 14, 2010**

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**INTRODUCTION AND OVERVIEW**

1. On February 25, 2010, ConjuChem Biotechnologies Inc. (the "Petitioner" or "ConjuChem") filed with the Quebec Superior Court (the "Court"), a Motion for the Issuance of an Initial Order pursuant to Section 11 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "CCAA"). On February 26, 2010, the Honourable Chantal Corriveau, J.S.C. issued an initial order (the "Initial Order"), granting, *inter alia*, the Petitioner the protection it was seeking pursuant to the aforementioned motion and appointing RSM Richter Inc. as monitor (the "Monitor").

2. Since the issuance of the Initial Order, the Petitioner obtained three extensions to the stay of proceedings provided thereunder in order to allow for the implementation and execution of the sale and investment process, the identification of new investors, the negotiation of the terms of the proposed recapitalization and reorganization transaction and the presentation of the Plan of Reorganization and Compromise of the Petitioner. The current stay of proceedings expires on June 30, 2010.
3. A duly constituted Meeting of Creditors of the Petitioner was held on June 11, 2010, to consider and approve the Plan of Reorganization and Compromise (the "Plan"). The Creditors present, in person or by proxy were presented with an Amended and Restated Plan of Reorganization and Compromise (the "Amended Plan") at the commencement of the meeting. The amendment to the Plan, consist of delaying the anticipated distribution date from June 18, 2010 to June 25, 2010, which is of limited consequence to the General Affected Unsecured Creditors and the Debentureholders.
4. The Amended Plan was approved by the Required Majorities (as defined in the Amended Plan).
5. Following the Meeting of Creditors, the Motion to Sanction the Amended and Restated Plan of Reorganization and Compromise of the Petitioner was filed with the Court.

#### **OUTLINE AND RESERVES**

6. The purpose of this report is to provide the Court with an overview of the reorganization and compromise provided for under the Amended Plan. Our report is subdivided as follows:
  - Claims Process;
  - The Amended and Restated Plan of Reorganization and Compromise;
  - Meeting of Creditors and Vote; and
  - Monitor's Recommendation to the Court.
7. All amounts in the Monitor's Report are stated in Canadian dollars unless otherwise noted.
8. Capitalized terms used in the Monitor's Report and not defined herein shall have the meaning ascribed to them in the Plan.

## CLAIMS PROCESS

9. On April 28, 2010, in anticipation of the presentation of a Plan the Petitioner filed a Motion to Establish a Claims Process and a Claims Bar Date of May 31, 2010. On April 29, 2010 the Court rendered an Order approving the Claims Process ("Claims Process Order").
10. In accordance with the Claims Process Order, on April 30, 2010, the Monitor mailed to all known creditors of ConjuChem the Creditors Instructions including a Notice of the Deadline to File Proof of Claim, a Proof of Claim, Instructions to Complete the Proof of Claim and a copy of the Claims Process Order. The Monitor also posted the Creditors' Instructions on its website and published Newspaper Notices in *La Presse* (Montreal) and *The Gazette* (Montreal), to advise any potential creditors of the Claims Bar Date and Creditors' Instructions. Creditors were advised to notify the Monitor of any Claims by no later than May 31, 2010 at 5:00 p.m. (the "Claims Bar Date").
11. Attached hereto as Exhibit 1 is a copy of the mail affidavit for the mailing to all known creditors for the Claims Process.
12. The following is a summary of the Creditors Claims filed with the Monitor pursuant to the Claims Process:

ConjuChem Biotechnologies Inc Summary of Creditor Claims As of June 11, 2010					
Type of Claims	Number of POC Received	\$ Amount of Received Claims	\$ Amount of		\$ Amount of Accepted Claims
			Disallowed Claims (all or part)	Number of Accepted POC	
<i>Secured</i>	1	26 924	26 924	-	-
<i>Unsecured</i>	31	645 662	119 676	30	525 987
<i>Debentures</i>	1	20 523 236		1	20 523 236
<i>Shareholders</i>	5	104 037	104 037		-
	<u>38</u>	<u>\$ 21 299 860</u>	<u>\$ 250 637</u>	<u>\$ 31</u>	<u>\$ 21 049 223</u>

13. It is unclear at this time if any Claims that were disallowed by the Petitioner will be appealed by the Creditors. The Monitor, the Petitioner and/or the Court will resolve and adjudicate these claims, where necessary.

## AMENDED AND RESTATED PLAN OF REORGANIZATION AND COMPROMISE (“AMENDED PLAN”)

14. The Amended Plan provides for the following distributions to the Affected Creditors, in full and final satisfaction of their Proven Claims:
  - Each General Affected Unsecured Creditor with a Proven Claim shall receive a cash distribution equal to 100% of the amount of their Proven Claim; and
  - Each Debentureholder with a Proven Claim shall receive a cash consideration in the amount equal to 33% of the amount of their Proven Claim.
15. As a result of the sale and investment process, a group of investors interested in recapitalizing and restructuring ConjuChem were identified. The contemplated recapitalization and reorganization transaction provides sufficient capital to resume the development of ConjuChem's products and fund the proposed distribution to Affected Creditors under the Amended Plan.
16. The Amended Plan provides for the subscription of new common shares for an aggregate amount of \$35 million.
17. The Amended Plan further provides for all issued and outstanding Existing Company Shares to be exchanged for Redeemable Common Shares on a one to one basis. On the Effective Date, the Redeemable Preferred Shares will be redeemed by the Company at a price of \$0.00000001 per share.
18. The consummation of the proposed transaction is dependent on the approval of the Amended Plan by the General Affected Unsecured Creditors and the Debentureholders, as well as the sanctioning of the Amended Plan by the Court and the completion of the \$35 million subscription.
19. In early May 2010, the Petitioner presented a proposed Plan, which was approved by its Board of Directors.
20. On May 13, 2010, the Petitioner filed a Motion for an Order setting the procedures with respect to the convening and the conduct of a Meeting of Creditors. On May 17, 2010, the Court rendered an order setting the procedures for a Meeting of Creditors (“Creditors’ Meeting Order”).
21. The Meeting of Creditors to consider and approve the Amended Plan was scheduled to be held on Friday, June 11, 2010, at 10:00 a.m., at The Marriott Château Champlain, 1050 de la Gauchetière Street West, Montreal, Quebec.

22. In accordance with the Creditors' Meeting Order, on May 19, 2010, the Monitor mailed to all known General Affected Unsecured Creditors of ConjuChem the Meeting Materials which included:

- Notice of Creditors' Meeting;
- Instructions for Completion of Proxy and Voting Form;
- General Affected Unsecured Creditors Proxy and Voting Form;
- Plan of Reorganization and Compromise;
- Creditors' Meeting Order.

The Monitor also posted the Meeting Materials on its website and published the following Newspaper Notices in *La Presse* (Montreal) and *The Globe and Mail* (Toronto):

- Notice to Creditors of the Meeting of Creditors; and
- Notice to Shareholders of ConjuChem.

23. In accordance with the Creditors' Meeting Order, on May 20, 2010, the Monitor sent by messenger to all CDS Participants representing Beneficial Debentureholders of ConjuChem the Participant Meeting Materials and the Beneficial Debentureholders' Meeting Materials including:

a) Participants Meeting Materials:

- Letter to Participants;
- CDS Participant Form of Proxy and Master Ballot and Instructions for Completion of CDS Participant Form or Proxy and Master Ballot;
- Notice to Creditors of Meeting of Creditors;
- Voting Instruction Form for Beneficial Debentureholders and Instructions for Completion of Voting Instruction Form;
- Plan of Reorganization and Compromise;
- Creditors' Meeting Order;
- Requested number of copies of Beneficial Debentureholders' Meeting Materials.

b) Beneficial Debentureholders' Meeting Materials:

- Notice to Creditors of Meeting of Creditors;
- Voting Instruction Form for Beneficial Debentureholders and Instructions for Completion of Voting Instruction Form;
- Plan of Reorganization and Compromise;
- Creditors' Meeting Order.

24. Attached as Exhibit 2 are copies of the mail affidavits for the mailings to all General Affected Unsecured Creditors and to the CDS Participants for the Creditors' Meeting.
25. A duly constituted Meeting of Creditors of the Petitioner was held on June 11, 2010 during which the Amended Plan was submitted to the creditors (or their proxies) physically present at the meeting. The modifications to the Plan, as presented in the Amended Plan primarily consist of delaying the anticipated distribution date from June 18, 2010 to June 25, 2010, which is of limited consequence to the Affected Unsecured Creditors and the Debentureholders.
26. A total of 35 creditors were present at the Meeting of Creditors either in person or by proxy and thus a quorum was attained.
27. The following summarized the votes filed by ConjuChem's Creditors:

**a) General Unsecured Affected Creditors**

19 of 30 General Affected Unsecured Creditors voted, representing \$434,518 of the \$525,987 in value of General Affected Unsecured Claims.

# of Votes	Votes FOR	Votes Against	% of Votes FOR
19	19	0	100%

\$ of Votes	Votes FOR \$	Votes Against \$	% of Votes FOR
\$ 434 518,26	\$ 434 518,26	\$ -	100%

**b) Debentureholders**

15 of 47 Beneficial Debentureholders voted, representing \$19,871,190 of the \$20,523,236 in value of the Debentureholder Claims.

# of Votes	Votes FOR	Votes Against	% of Votes FOR
15	15	0	100%

\$ of Votes	Votes FOR \$	Votes Against \$	% of Votes FOR
\$ 19 871 190,58	\$ 19 871 190,58	\$ -	100%

28. The Amended Plan was unanimously approved by the General Affected Unsecured Creditors and by the Debentureholders.
29. The minutes of the Meeting of Creditors are attached hereto as Exhibit "3".
30. Following the Meeting of Creditors, the Motion to Sanction the Petitioner's Amended and Restated Plan of Reorganization and Compromise was filed with the Court.

#### **MONITOR'S RECOMMENDATION TO THE COURT**

31. As stated in the Monitor's Report on the State of the Petitioner's Financial Affairs and the Plan of Reorganization and Compromise, the Monitor recommended that all Affected Creditors, including Debentureholders vote in favor of the Plan. The Monitor still maintains its support of the Amended Plan, as it represents the most viable option for all involved.
32. Should the recapitalization transaction not close, the only realistic alternative to the Amended Plan is Bankruptcy, which would in all likelihood result in a significantly reduced distribution to the General Affected Unsecured Creditors and no distribution to the Debentureholders.
33. The sanction of the Amended Plan by the Court in accordance with the Sanction Order sought will permit the Petitioner to conclude its recapitalization transaction and make the distributions to the General Affected Unsecured Creditors and to the Debentureholders in accordance with the Amended Plan.
34. It is the Monitor's belief that the Petitioner's management and its Board of Directors has and continues to act in good faith, with diligence and has been cooperating with all stakeholders, including but not limited to the Monitor, the Debentureholders, as well as all other creditors.
35. The Monitor believes that the Amended Plan is fair and equitable to the creditors, under the present circumstances.
36. The Monitor further believes that given the assets on hand and the efforts deployed by the Company in the last year to find investors or alternatively sell its assets; under no circumstances would all the unsecured creditors be paid in their entirety. Accordingly, under all scenarios explored, no value can be assigned to the existing shares of ConjuChem.
37. The Monitor is of the opinion that the Amended Plan was prepared in a serious and diligent manner.

38. The Monitor is of the opinion that the Amended Plan is in the best interest of the Petitioner's creditors and respectfully recommends that the Court grant the Sanction Order as sought.

DATED AT MONTREAL, this 14<sup>th</sup> day of June, 2010.

**RSM Richter Inc.**  
Court-appointed Monitor

A handwritten signature in black ink, appearing to read "Gilles Robillard", is written over a horizontal line. The signature is stylized and somewhat cursive.

Gilles Robillard, CA, CIRP



**RSM Richter Inc.**

**RSM Richter Inc.**

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**CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL  
COURT NO 500-11-038490-104**

**SUPERIOR COURT  
(Commercial Division)**  
(Sitting as a designated Court pursuant to the  
*Companies' Creditors Arrangement Act*)

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

**CONJUCHEM BIOTECHNOLOGIES INC.**

**Petitioner**

**-and-**

**RSM RICHTER INC.**

**Monitor**

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**Minutes of the Meeting of Creditors of the Petitioner:**

Held on Friday, June 11, 2010 at 10:00 a.m.  
at the Marriott Château Champlain, 1050 de la Gauchetière Street West, Montreal, Quebec  
(Salon Viger A)

Chairman:

Gilles Robillard, CA, Court-Appointed Monitor to the Petitioner

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Minutes of the meeting of creditors to consider and approve the Plan of Reorganization and Compromise (the "Plan") of ConjuChem Biotechnologies Inc. held on Friday, June 11, 2010, at 10:00 a.m., at the Marriott Chateau Champlain, located at 1050 de la Gauchetière Street West, (Salon Viger A), Montréal.

**ATTENDANCE**

Were Present:

Mr. Gilles Robillard, CA, RSM Richter Inc., Court-Appointed Monitor;  
Ms. Ariella Yedid, CA, RSM Richter Inc. Court-Appointed Monitor;  
Me Sylvain Vauclair, of the law firm McCarthy Tétrault, acting as legal counsel for the Petitioner;  
Me Denis St-Onge, of the law firm Gowlings Laffeur Henderson, acting as legal counsel for the Monitor;  
Mr. Mark Perrin, President and CEO of the Petitioner;  
Ms. Chantal Lapointe, V.P. Finance of the Petitioner;  
Me. Jean Fontaine, of the law firm Stikeman, acting as legal counsel to a Debentureholder;  
Mr. Mark Thomson and Mr. Louis-Phillippe Marineau, Computershare.

## CHAIRMAN OF THE MEETING

Mr. Gilles Robillard presides over the meeting of creditors.

The Chairman confirms having received before the opening of the meeting, (I) the Proxy and Voting forms from the General Affected Unsecured Creditors and, (II) the CDS Participants forms of Proxy and Master Ballot from the Participants of Beneficial Debentureholders.

The Chairman declares that there is a quorum and the meeting is duly convened.

The Chairman called the meeting to order, there being a quorum of creditors present in person and by proxy.

The Chairman proceeds to introduce the people at the head table.

## INTRODUCTION

The Chairman confirmed that on May 19, 2010, the Monitor sent by regular mail to all known Unsecured Creditors the following documents, hereinafter referred to as the Meeting Materials:

- Notice of Creditors' Meeting;
- Instructions for Completion of Proxy and Voting Form;
- General Affected Unsecured Creditors Proxy and Voting Form;
- Plan of Reorganization and Compromise under the *Companies' Creditors Arrangement Act*;
- Creditors' Meeting Order.

The Chairman further confirms that on May 14, 2010 the Monitor received a list of Participants (as defined in the Plan of Reorganization and Compromise) from CDS Clearing and Depository Services Inc. ("CDS") and communicated with each Participant to determine how many Debentureholders each represented. On May 20, 2010 the Monitor sent the following documents, by messenger, to the identified Participants.

- Letter to Participants;
- CDS Participant Form of Proxy and Master Ballot and Instructions for Completion of CDS Participant Form or Proxy and Master Ballot;
- Notice of Meeting of Creditors;
- Voting Instruction Form for Beneficial Debentureholders and Instructions for Completion of Voting Instruction Form;
- Plan of Reorganization and Compromise under the *Companies' Creditors Arrangement Act*;
- Creditors' Meeting Order;

- Requested number of copies of Beneficial Debentureholders' Meeting Materials which include
  - Notice of Meeting of Creditors;
  - Voting Instruction Form for Beneficial Debentureholders and Instructions for Completion of Voting Instruction Form;
  - Plan of Reorganization and Compromise under the Companies' Creditors Arrangement Act;
  - Creditors' Meeting Order.

A copy of the mail affidavits attesting to the mailing to creditors of the Meeting Materials are attached as Exhibit "1".

The Chairman confirms that the Monitor's Report on the State of the Petitioners Affairs and the Plan of Reorganization and Compromise was posted on the Monitor's website on June 4, 2010.

The Chairman tables an Amended Plan of Reorganization and Compromise ("Amended Plan"), dated June 10, 2010. The amendment consists in delaying the anticipated distribution to creditors from June 18, 2010 to June 25, 2010.

#### **MONITOR'S REPORT**

The Chairman asks the representatives of the Creditors present to confirm that they have all read and understood the Monitor's Report on the State of the Petitioners Financial Affairs and Plan of Arrangement dated June 4, 2010 and that there are no questions thereon.

The Chairman reiterates the Monitor's recommendation that all General Affected Unsecured Creditors and Debentureholders vote in favour of the Amended Plan and that the Amended Plan be accepted.

The Chairman confirms that the Board of Directors duly approved the Plan.

The Chairman further confirms that the Monitor received 34 proxies, appointing RSM Richter Inc. as proxy.

The Chairman informs the creditors that if the Amended Plan is duly approved, that the Petitioners intend to seek the sanction of the Amended Plan by the Court on June 15, 2010.

#### **VOTING**

After the question period, the Chairman asks the Creditors present whether they had duly registered their vote and whether they want to change their original vote. There were no additional votes to file or changes to make.

## RESULTS OF THE VOTE

The creditors of ConjuChem Biotechnologies Inc. voted on the Plan as follows:.

### a) General Unsecured Affected Creditors

19 of the 30 General Affected Unsecured Creditors voted, representing \$434,518 of the \$525,987 in value of General Affected Unsecured Claims.

# of Votes	Votes FOR	Votes Against	% of Votes FOR
19	19	0	100%

\$ of Votes	Votes FOR \$	Votes Against \$	% of Votes FOR
\$ 434 518,26	\$ 434 518,26	\$ -	100%

### Debenture Holders

15 of the 47 Beneficial Debentureholders voted, representing \$19,871,190 of the \$20,523,236 in Debentureholder Claims.

# of Votes	Votes FOR	Votes Against	% of Votes FOR
15	15	0	100%

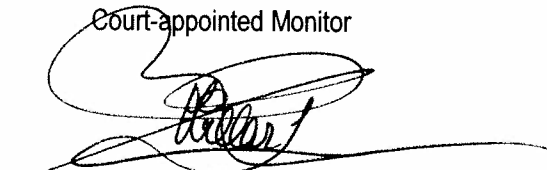
\$ of Votes	Votes FOR \$	Votes Against \$	% of Votes FOR
\$ 19 871 190,58	\$ 19 871 190,58	\$ -	100%

Accordingly, the Plan is unanimously approved by the creditors of ConjuChem Biotechnologies Inc. The Chairman informs the people in attendance that a Motion to Sanction the Plan will be presented in Court in St-Jerôme on Tuesday, June 15, 2010 at 9:00 a.m.

## END OF MEETING

There being no further items on the Agenda or questions, the Meeting is adjourned.

**RSM Richter Inc.**  
Court-appointed Monitor



Gilles Robillard, CA, CIRP  
acting as Chairman of the Meeting of Creditors