

RSM Richter Inc.

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Estate File No.: 31-1148649

**IN THE MATTER OF THE BANKRUPTCY OF MONOGEN, INC., OF THE CITY OF
TORONTO, IN THE PROVINCE OF ONTARIO**

REPORT OF TRUSTEE'S PRELIMINARY ADMINISTRATION

1. INTRODUCTION

On December 30, 2008, MonoGen, Inc. (the "Company") executed an assignment in bankruptcy, which assignment was filed on December 31, 2008 and became effective on that date. RSM Richter Inc. ("Richter") was appointed as the Trustee in Bankruptcy ("Trustee").

1.1 Currency

Unless otherwise noted, all currency references in this report are in Canadian dollars. US dollars have been converted to Canadian dollars at a rate of \$1.00 to \$1.22.

2. BACKGROUND

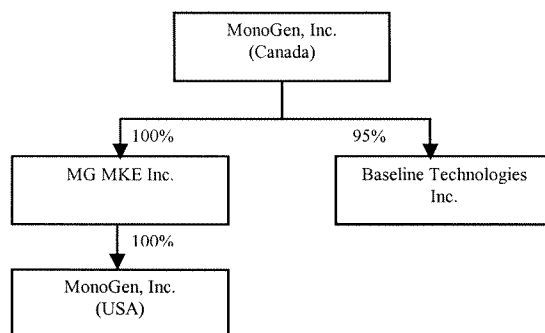
The Company was initially organized in July 1995 as 662729 Alberta Ltd. In May 1997, it changed its name to Oxbow Equities Corp. ("Oxbow"). On November 1, 2006, the Company was continued under the *Canada Business Corporations Act* as MonoGen, Inc. The Company is an inactive holding company¹ which owns indirectly 100% of the equity of MonoGen, Inc. ("MonoGen USA").

The common shares of the Company are listed on the Toronto Stock Exchange and traded until recently under the symbol MOG. The Company's shares ceased trading on January 12, 2009 and are to be delisted at the close of business on February 12, 2009 pursuant to a decision of the Toronto Stock Exchange. There are approximately 193 million shares issued and outstanding.²

¹ At the date of bankruptcy, the Company did not have any employees, other than the Chief Executive Officer and the Chief Financial Officer, who reside in the US.

² The shares last traded at \$0.005/share, reflecting a market capitalization of approximately \$963,000.

The Company's corporate organization chart is as follows:



2.1 MG MKE Inc.

The Company owns 100% of the shares of MG MKE Inc. ("MG"). MG is an inactive holding company, which owns 100% of the equity of MonoGen USA. All the directors and officers of MG have resigned. MG's only assets are notes receivable from MonoGen USA in the amount of approximately US\$32.8 million and its 100% interest in MonoGen USA. MG's books and records indicate that it has no creditors.

2.2 MonoGen USA

MonoGen USA was engaged in developing, manufacturing, distributing, marketing and selling products for the commercial and hospital-based anatomic pathology laboratory market.

MonoGen USA is based in Lincolnshire, Illinois, which was the operational headquarters for the Company and its subsidiaries. The flagship products are the MonoPrep® Processor System and its corresponding MonoPrep® Pap Test and the MonoGen Imaging and Information System.

On December 30, 2008, MonoGen USA executed an Assignment for the Benefit of Creditors for the purpose of, *inter alia*, selling MonoGen USA's assets (the "US Assets"). Nancy Ross of High Ridge Partners, Inc. is the Assignee-Trustee (the "US Trustee") of the US assets. The primary task of the US Trustee is to conduct a sale process for the US Assets (the "Sale Process").

The Company's insolvency proceedings were precipitated by both the Company's inability to raise additional capital and the inability of MonoGen USA to commercialize its products.

2.3 Baseline Technologies Inc.

Baseline Technologies Inc. (“Baseline”) is a majority-owned subsidiary of the Company. In December, 2005, Baseline sold substantially all of its assets to PMG Canada Company (“Purchaser”). Presently, Baseline’s only assets appear to be a receivable from the Company in the amount of \$5,000 and a contingent receivable from the Purchaser, with amounts being payable to Baseline based on the Purchaser obtaining certain revenue targets between fiscal 2006 and 2010. No such payments have been received by the Company to-date. The Trustee will be contacting the Purchaser to determine whether any payments should be expected.

3. SECURED CREDITORS

A summary of the Company’s statement of affairs (“SOA”), sworn by Mr. Ted S. Geiselman, the former Chief Executive Officer of the Company, is attached hereto. According to the SOA, there are no known secured creditors.

The Trustee’s counsel, Osler Hoskin & Harcourt LLP, performed a search of the Register of Personal and Moveable Real Rights (Quebec) and identified a hypothec registered on May 26, 2005 by Canadian Imperial Bank of Commerce (“CIBC”) in the amount of \$11,500. Mr. Geiselman advised that he is unaware of any Company indebtedness to CIBC; however, the Trustee is following up in this regard.

4. UNSECURED CREDITORS

Pursuant to the SOA, the Company’s unsecured claims total approximately \$10.2 million, including a contingent claim of approximately \$1.2 million in respect of a success fee payable to Piper Jaffray & Co (“Piper Jaffray”) upon completing a sale of the US Assets. According to the SOA, approximately 70% of the unsecured debt is owing to Caisse de Depot et Placement du Quebec.

5. ASSETS OF THE BANKRUPT

The estimated book values³ as at December 30, 2008, and realizable values of those assets as reflected in the SOA, are as follows:

| | (\$000s) | |
|--|------------|----------------------------|
| | Book Value | Estimated Realizable Value |
| Cash, as at December 30, 2008 (see section 5.1 below) | 1,268 | 1,268 |
| Accounts Receivable | 51,691 | 2,127 |
| Investment in MonoGen USA options | 2,450 | 0 |
| Investment in MG MKE Inc. (common shares and AIPC ⁴) | 182,949 | 1,776 |
| | 238,358 | 4,561 |

5.1 Cash

On December 30, 2008, the Company initiated a wire transfer in the amount of approximately \$610,000 to MonoGen USA so that the US Trustee would have funding for, *inter alia*, the Sale Process. The cash balance in the Company's account as at the date of bankruptcy (being December 31, 2008) was approximately \$658,000.

Prior to these proceedings, the Trustee received a retainer of \$25,000, which is netted from the cash balance. The Trustee has not drawn against the retainer.

5.2 Accounts Receivable

The accounts receivable are comprised primarily of a receivable from MonoGen USA, which the SOA indicates may have a realizable value of approximately \$2.1 million, subject to the outcome of the Sale Process.

5.3 Investment in MG MKE Inc.

The Company's recovery in respect of MG is also contingent on the outcome of the Sale Process. Pursuant to the SOA, the estimated recovery on the investment in MG is approximately \$1.8 million.

5.4 Realization of Assets

The recovery on the Company's assets is directly related to the outcome of the Sale Process. The Sale Process is discussed in Section 9 below.

³ Based on the Company's books and records.

⁴ Additional Paid In Capital.

5.5 Assets of the Bankrupt Not Divisible Amongst Creditors by Virtue of Section 67(B) of the BIA

The Trustee is not aware of any property that is subject to a trust or similar claim that would not be divisible amongst the creditors.

6. CONSERVATORY AND PROTECTIVE MEASURES

The Trustee is in the process of taking possession of the books and records of the Company in order to complete its duties under the *Bankruptcy and Insolvency Act*. All of the books and records of the Company are stored at MonoGen USA's offices in Lincolnshire, Illinois. The Trustee has been provided with a detailed inventory of the Company's books and records as at June, 2008. The Trustee is to be provided with an updated list of the books and records by January 26, 2009, which will include the books and records to the present date.

The Trustee has been in contact with James Boyle, the former Chief Financial Officer of the Company, and is in the process of arranging for the transfer of the Company's books and records from Lincolnshire to a storage facility in Toronto, Ontario. The Company is also in the process of providing the Trustee with a copy of the Company's electronic files.

7. PROVABLE CLAIMS

To date, the Trustee has received unsecured proofs of claim filed totalling approximately \$8.8 million.

8. REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has conducted a preliminary review for potentially voidable transactions. Based on this review, it appears that the disbursements (approximately \$24.7 million) made by the Company to MonoGen USA during the year preceding the date of bankruptcy were used to fund the operations of the Company and of MonoGen USA. The Trustee is reviewing these disbursements. The Trustee will report further findings in this regard to the Inspectors appointed in these proceedings.

In addition, the Trustee identified that on December 23, 2008, approximately \$487,000 was transferred to MonoGen USA from an account the Company maintained at GMP Securities. These funds were used to pay the costs of the "tail period"⁵ of a Directors' and Officers' insurance policy. The Trustee also identified that on December 30, 2008, the Company transferred approximately \$610,000 to MonoGen USA to fund MonoGen USA's restructuring proceedings, including the Sale Process.

⁵ Being the 6 year period after the expiry of the Directors' and Officers' insurance policy.

9. OTHER MATTERS

9.1 MonoGen US Sale Process

In July, 2008, the Company engaged Piper Jaffray to assist with raising additional equity capital and, if necessary, the sale of the business and assets of MonoGen USA. Piper Jaffray was to be compensated largely based on a success fee, with that fee not being less than US\$1 million. (Piper Jaffray has filed a contingent claim in the Company's bankruptcy proceeding for this amount.) The US Trustee is considering retaining Piper Jaffray on a success fee basis to assist it with the Sale Process. The Trustee has advised the US Trustee of its concerns regarding the quantum of the success fee. The Trustee and the US Trustee are discussing this matter.

With respect to the sale of MonoGen USA's technology assets, the US Trustee has provided the following overview and tentative time table for the Sale Process:

- a) Information packages to be distributed to prospective bidders on or before January 30, 2009;
- b) Upon executing a confidentiality agreement, prospective bidders would have the opportunity to conduct their due diligence through to February 20, 2009;
- c) Letters of intent are to be due on or before February 27, 2009;
- d) The US Trustee would complete its analysis of each letter of intent and would select the most favourable offer to be advertised, by March 4, 2009;
- e) Competitive bidding would take place at a public sale to be held on or before March 11, 2009; and
- f) The sale transaction would close on or before March 27, 2009.

The US Trustee will be retaining an auctioneer to hold a public auction for the sale of MonoGen USA's physical assets. The auction is tentatively scheduled for late February or early March, 2009.

The Trustee will continue to communicate with the US Trustee to obtain updates regarding the status of the Sale Process.

DATED at Toronto, Ontario, this 21st day of January, 2009.

RSM RICHTER INC.
TRUSTEE IN BANKRUPTCY OF MONOGEN, INC.



Per: Robert Kofman

STATEMENT OF AFFAIRS (Sec 158)
IN THE MATTER OF THE BANKRUPTCY OF
MONOGEN, INC.
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

To the Bankrupt:

You are required to carefully and accurately complete this form and the applicable attachments, showing the state of your affairs on the date of your bankruptcy, December 30, 2008. When completed, this form and the applicable attachments will constitute your Statement of Affairs and must be verified by oath or solemn declaration:

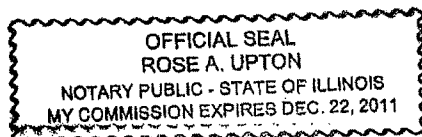
| Liabilities | | Assets | |
|--|---------------|--|--------------|
| (as stated and estimated by bankrupt) | | (as stated and estimated by bankrupt) | |
| 1. Unsecured creditors as per list 'A' | 8,977,956.62 | 1. Inventory | NIL |
| 2. Secured creditors as per list 'B' | NIL | 2. Trade fixtures, fittings, utensils, etc. | NIL |
| 3. Preferred creditors as per list 'C' | NIL | 3. Accounts Receivable, etc. as per list 'E' | |
| 4. Contingent or other liabilities as per list 'D' | 1,216,700.00 | Good | 2,127,284.34 |
| estimated to be reclaimable for | | Doubtful | NIL |
| Total Liabilities | 10,194,656.62 | Bad | NIL |
| Surplus | NIL | Estimated to produce | 2,127,284.34 |
| | | 4. Bills of exchange, promissory notes, etc. as | |
| | | per list 'F' | NIL |
| | | 5. Deposits in Financial Institutions | 1,268,327.80 |
| | | 6. Cash | NIL |
| | | 7. Livestock | NIL |
| | | 8. Machinery, equipment and plant | NIL |
| | | 9. Real property or immovable as per list 'G' | NIL |
| | | 10. Furniture | NIL |
| | | 11. RRSPs, RRIFs, Life Insurance, etc. | NIL |
| | | 12. Securities (Shares, bonds, debentures, etc) | NIL |
| | | 13. Interest under wills | NIL |
| | | 14. Vehicles | NIL |
| | | 15. Other Property as per list 'H' | |
| | | Investment in MG MKE Inc. | 1,776,307.78 |
| | | Investment in MonoGen, Inc. (US) options | 0.00 |
| | | If Bankrupt is a Corporation add: | |
| | | Amount of capital subscribed | NIL |
| | | Amount paid thereon | NIL |
| | | Balance subscribed and unpaid | NIL |
| | | Estimated to produce | NIL |
| | | Total Assets | 5,171,919.92 |
| | | Deficiency | 3,806,059.70 |

I, Ted S. Geiselman Officer of the Bankrupt Corporation of MONOGEN, INC., do swear that this statement and attached lists are to the best of my knowledge a full, true and complete statement of its affairs on December 30, 2008, and fully disclose all property of every description, that is in its possession or that may devolve on it in accordance with Section 67 of the Act.

SWORN before me in the Village of Lincolnshire in the STATE of Illinois
this 30th day of December, 2008.

A Commissioner, etc., in and for the Province of Ontario

STATE OF ILLINOIS



Signature of Bankrupt or Officer