

Overview Of Quantex

We provide a broad and integrated portfolio of laboratory and manufacturing quality services in the drug discovery and development process to pharmaceutical, biotechnology and over-the counter drug personal care products (OTC/PCP) companies. Our services are designed to help our customers address the bottleneck between the discovery of therapeutic targets and the testing of drug candidates in human clinical trials. Our operations are grouped into two segments: laboratory services, consisting of discovery chemistry, service biology, analytical, pharmaceutical development and process development services, and manufacturing quality services, focusing on supporting manufacturing quality of advanced intermediates and APIs. We provided our services to pharmaceutical, biotechnology and OTC/PCP customers, including several of the top pharmaceutical companies in the world. We have received a number of recognitions from our customers., have received favorable mention in the New York Times Business section and coverage by the CBS Evening News regarding our capabilities and technology. To date, most of our customers have returned to us for additional and often larger and longer-term projects, and each of our top customers over the last three years continues to be our customer today.

We are in the process of developing broader and more integrated relationships with our customers through our capabilities and services along the drug discovery value chain. Building on our chemistry capability and service operations, we intend to develop new services in preclinical development, formulation and manufacturing quality support. Our objective is to become a leading full service provider of drug discovery and development outsourcing services to the global pharmaceutical, biotechnology and over-the counter drug personal care products industry.

Our Industry - Pharmaceutical R&D Outsourcing Market

Global R&D expenditures for both pharmaceutical and biotechnology companies have grown from US\$47.6 billion in 2004 to US\$55.2 billion in 2006, according to the Pharmaceutical Research Manufacturers Association (PhRMA). R&D expenditures for the U.S. pharmaceutical industry grew from US\$20 billion in 1997 to US\$40 billion in 2005, and are expected to reach US\$58 billion in 2009, according to Kalorama Information. While R&D expenditures for the U.S. pharmaceutical industry are projected to grow at an annual rate of approximately 5% to 6% over the period from 2005 to 2010, according to Kalorama Information, annual growth for R&D outsourcing is expected to be approximately 15% to 18% over the same period. Furthermore, R&D outsourcing has increasingly been accepted as an alternative by both pharmaceutical and biotechnology companies over the last decade: for example, in 1997, only 37% of pharmaceutical companies outsourced R&D projects and by 2005 the percentage had grown to 70%.

In response to time and cost pressures for developing more innovative, safe and effective drugs, many large pharmaceutical and biotechnology companies are outsourcing both R&D and drug quality. Pharmaceutical companies have been outsourcing drug development, clinical and manufacturing services for many years. Outsourcing companies servicing this demand have developed and become efficient and cost effective, while providing high quality service. Pharmaceutical and biotechnology companies are consistently relying on outsourcing companies, and as a result, service offerings are increasing in number and complexity as outsourcing companies broaden their offerings along the drug discovery value chain.

The growing use of outsourcing in drug discovery is driven by two major benefits: reduced operating costs and an increased number of drugs moving into development. As illustrated in the table below, the percentage that pharmaceutical companies spend on R&D outsourcing has increased from 10% of total U.S. pharmaceutical industry R&D spending in 1997 to 33% in 2005, and is expected to grow to 41% by 2009. The market for outsourced drug discovery is expected to grow at 15% per annum from US\$4.1 billion in 2005 to US\$7.2 billion in 2009.

The principal growth drivers for the global pharmaceutical and biotechnology outsourcing industry can be summarized as follows:

Time to Market - Pharmaceutical and biotechnology companies, facing patent expirations, lackluster drug pipelines, slowing growth and profitability and poor share price performance are under increasing pressure to deliver new drugs to market and reduce the time required for drug development. In response to these time pressures, many large pharmaceutical and biotechnology companies look to outsourcing to accelerate their development timelines. Drug discovery outsourcing can reduce time to market by as much as 30%, according to Frost & Sullivan.

Cost Control -Pharmaceutical and biotechnology companies are facing cost pressures from a variety of sources, including falling drug revenues, patent expirations, generic competition and government regulated pricing, particularly in Europe and Asia. According to PhRMA, it currently takes an average of 10 to 15 years and approximately US\$802 million (in 2000 dollars) to develop a safe and effective drug, including the cost of failures and capital. Furthermore, for every 5,000 to 10,000 compounds tested as a potential drug, only one receives regulatory approval and becomes a new treatment. This long and costly process is due largely to the inability of science to predict accurately which of

Contact Information: James Menoutis, President Quantex Laboratories, Inc.
22 Distribution Boulevard, Edison, New Jersey 08817
(732) 248-3335 x402 Fax: (732) 248-0912 Email: jmeno@quantexlabs.com

a virtually infinite number of possible drug candidates will prove to be safe and effective. Drug discovery outsourcing companies offer a means to counter this process through reduced testing costs

Growing Unmet Medical Needs - According to PhRMA, health care needs are growing as populations are getting older. In the United States, the number of citizens over age 65 is expected to double over the next 40 years, meaning that illnesses like Alzheimer's disease are becoming more common, increasing the need for treatments to prevent or delay the onset of diseases for seniors. This growing incidence of disease, coupled with a concurrent improvement in living standards and general disposable income, is a major reason for rising health care spending.

Technological Innovation in Drug Discovery and Development- New technologies are providing an ever-increasing number of new drug leads that can be evaluated. This demands greater speed and efficiency to accurately identify and evaluate the greater number of leads generated. Due to their speed, scalability, capacity and efficiency, drug discovery outsourcing companies are well-positioned to address the increasing demand to process leads in a cost-effective manner.

Increasing Safety Standards -The FDA and other regulators have placed a greater emphasis on safety testing following recent failures in identifying potentially harmful side effects of medications prior to manufacturing. Consequently, and in conjunction with ongoing efforts to terminate unsuccessful pipeline candidates as soon as possible, sponsors are looking to ascertain toxicity profiles of candidates earlier in the drug discovery and development process. These efforts demand more preclinical resources, capacity and specialized expertise. We believe that outsourcing companies have the expertise, scale and resources to determine the safety profiles of drug candidates in accordance with the FDA's stringent regulations

Our Strengths

We believe we are well-positioned to capture market opportunities and to benefit from the expected growth in the pharmaceutical and biotechnology R&D outsourcing market through our competitive strengths, which principally include the following:

Proven quality and customer satisfaction. We are able to provide our customers with dedicated resources, facilities and experienced scientists dedicated to the specific needs of individual customers. We have received a number of recognitions from our customers. To date, most of our customers have returned to us for additional and often larger and longer-term projects, and each of our major customers over the last three years continues to be our customer today. We believe that our operational track record in successful project management, responsiveness, turnaround times and productivity has led to steady growth.

Experienced management. Our management team has extensive experience both in overseas and in the U.S. pharmaceutical and biotechnology industry, as well as an understanding of Asian and international industry best practices. Our management team is composed of management with scientific and business experience in drug R&D methodologies with a track record of managing the rapid.

Integrated, expanding and scalable services. We have grown from a discovery chemistry-focused contract research company to an integrated provider of R&D services spanning the drug discovery value chain. We have the ability to respond quickly to meet our customer needs. We believe that we are well-positioned as a "solution provider" for drug discovery services for our customers to advance their drug discovery programs .

Our Growth Strategy

Our objective is to become a leading full service provider of drug discovery and development outsourcing services to the global pharmaceutical and biotechnology industry. To achieve our objective, we intend to focus on our core competencies by continuing to provide quality services along the drug discovery value chain and delivering new, innovative solutions to meet our customers' needs, while maintaining our customers' trust through quality, responsive, value-added services and protection of their intellectual property

Capital Requirements

Quantex is seeking equity capital to be used to expand the company's sales, marketing and advertising efforts, upgrade the company's infrastructure, facilities, expand its service portfolio of capabilities and capture additional sales from pharmaceutical companies it is now turning away. The capital raised will also be used in meeting short-term working capital needs.

Exit Strategy

In view of the rapid growth of the pharmaceutical R&D outsourcing market we anticipate that the most likely exit strategy is the acquisition of Quantex by a company wanting to capture Quantex's market penetration and customer base. Potential acquirers include Thermo Fisher, Intertek, Bodycote, SGS Group, Blackstone, as well major pharma and biopharma firms. Current multiples for such acquisitions have garnered 5-7 times gross revenues. In a recent acquisition Intertek paid multiples of 7 times gross sales (~\$30million), 70% of this for goodwill.

An alternative possibility is an initial public offering. However, given current conditions in the IPO market such an undertaking would be difficult. However, in recent IPO activity by WuXi PharmaTech , August 2007, exiting shareholders made a 5 to 7 fold return on investment .