

BIDDING PROCEDURES

Set forth below are the bidding procedures (the "Bidding Procedures") to be employed in connection with an auction (the "Auction") for the sale 191, 197 and 199 Foster Street, New Haven, Connecticut (the "Assets"). At a hearing following the Auction (the "Sale Approval Hearing"), the Trustee will seek entry of an order (the "Sale Order") from the United States Bankruptcy Court for the District of Connecticut (the "Bankruptcy Court") authorizing and approving a sale ("the Sale") at Auction to the Qualified Bidder (as defined below) that the Trustee determines to have made the highest or otherwise best bid (the "Successful Bidder").

Assets to be Sold

The Trustee is offering the Assets for Sale. A legal description further identifying the Assets is attached hereto.

Except as otherwise provided in definitive documentation with respect to the Auction, all of the Trustee's right, title and interest in and to the Assets shall be sold free and clear of all pledges, liens, security interest, encumbrances, claims charges, options and interest thereon and there against in accordance with section 363 of the Bankruptcy Code.

The Assets are subject to an agreement (the "Stalking Horse Agreement") with East Rock Partners, LLC (the "Stalking Horse Bidder"). The Auction will provide an opportunity of third parties to submit bids that may be considered higher and better than the offer contained in the Stalking Horse Agreement.

Publication

The Trustee shall prepare a notice of the Auction for publication in a newspaper of general circulation in the City of New Haven. Said notice shall be published twice, no earlier than thirty (30) days before the Auction and no later than fifteen (15) days before the Auction.

The Bidding Process

The Trustee shall (i) determine whether any person is a Qualified Bidder (as defined below), (ii) provide reasonable (but without monetary expense) assistance to Qualified Bidders in conducting their due diligence investigations, (iii) receive offers from Qualified Bidders, and (iv) negotiate any offers made to purchase the Assets. Any person who wishes to participate in this bidding process must be a Qualified Bidder. Neither the Trustee nor his agents shall be obligated to furnish any information of any kind to any person who is not determined to be a Qualified Bidder.

The Trustee shall provide a copy of the Stalking Horses Agreement to all Qualified Bidders.

Bid Deadline

Any person or entity seeking to participate in the Auctions must submit a Qualified Bid (as defined below) on or before _____ (the "Bid Deadline") in writing to Timothy D. Miltenberger, Coan, Lewendon, Gulliver & Miltenberger, LLC, 495 Orange Street, New Haven, Connecticut 06518, Phone (203) 624-4756, Facsimile (203) 865-3673.

Qualified Bids

To qualify as a "Qualified Bidder," a bidder must submit a "Qualified Bid" by the Bid Deadline. To constitute a Qualified Bid, a bid must: (i) identify the potential bidder and the officer(s) or authorized agents(s) who will appear on behalf of such bidder; (ii) provide evidence, satisfactory to the Trustee in his reasonable discretion of the bidders' financial wherewithal and ability to consummate the proposed transaction; (iii) provide that the bid shall not be conditioned on the outcome of unperformed due diligence by the bidder, board approval, or any financing contingency; (iv) include the Qualified Bidder's Good Faith Deposit (as defined below); and (v) contain the form of order that the bidder would request the Trustee to seek Court approval of at the Sale Approval Hearing.

All bids will be considered, but the Trustee reserves the right to reject any or all bids. Bids will be evaluated on numerous grounds. However, bids that are unconditional and contemplate sales that may be consummated on or soon after the Sale Approval Hearing are preferred.

Good Faith Deposits

Bidders will be required to submit good faith deposits (the "Good Faith Deposits") with the Trustee on or before the Bid Deadline. Such Good Faith Deposits shall be equal to five percent (5%) of the proposed purchase price. Good Faith Deposits of all Qualified Bidders shall be held in the bankruptcy estate's bank account until eleven (11) business days following the Sale Approval Hearing. If a Successful Bidder fails to consummate an approved Sale because of a breach or failure to perform on the part of such Successful Bidder, the estate will not have any obligation to return the Good Faith Deposit deposited by such Successful Bidder, and such Good Faith Deposit shall irrevocably become property of the estate without affecting or reducing any of the Trustee's other rights or claims against such party.

Due Diligence

The Trustee shall afford any potential bidder the opportunity to conduct a reasonable due diligence review within the time period provided in these Bid Procedures and in the manner determined by the Trustee in his discretion. The Trustee shall not be obligated to furnish any due diligence information after the Bid Deadline.

The Trustee either has provided or will provide to all parties that have either expressed an interest in purchasing the Assets or certain information in connection with the proposed Sale, including among other things, these proposed Bidding Procedures and the environmental report prepared by the Stalking Horse Bidder, and the Stalking Horse Agreement.

Each bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Assets prior to making any such Bids; that it has relied solely upon its own independent review, investigation and/or inspection of any document and/or the assets in making its Bid and that it did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the assets, or the completeness of any information provided in connection therewith, except as expressly stated in these Bidding Procedures or, as to the Successful Bidder, the asset purchase agreement.

The Auction

The Auction will be conducted at the United States Bankruptcy Court, 450 Main Street, Hartford, Connecticut 06103 on the date and at the time set by the Office of the Clerk in a notice of sale to be issued pursuant to the customary practice of this Court.

Auction Procedures

Prior to the start of the Auction, the Trustee will advise all Qualified Bidders of what he believes to be the highest or otherwise best Qualified Bid with respect to the Sale and which Qualified Bids are in an amount that is 75% or more of the highest or otherwise best Qualified Bid. Only the Stalking Horse Bidder and Qualified Bidders that have submitted a Qualified Bid in an amount that is 75% or more of the highest or otherwise best Qualified Bid shall be eligible to participate in the Auction. Qualified Bidders that submit a Qualified Bid that is less than 75% of the highest or otherwise best Qualified Bid will not be eligible to participate in the Auction, and will not be permitted to attend the Auction. The Stalking Horse Bidder will be allowed to participate in the Auction regardless of the amount of the highest or otherwise best bid.

Parties In Interest (but not Qualified Bidders less than 75% of the highest or otherwise best bid) and their respective counsel, shall be permitted to attend the Auction. Bidding at the Auction shall begin initially with the highest or otherwise best bid and shall subsequently continue.

Bidding will be in increments of \$25,000, *provided however*, that the initial bid at the Auction must be higher than the best Qualified Bid by an amount that is greater than any (i) termination fee, and (ii) expense reimbursements, as described, *infra*. Bidding will continue with respect to the Auction until the Trustee determines that he has received the highest or otherwise best bid for the Assets. After the Trustee so determines he will close the Auction, subject, however to his right to re-open the Auction if necessary. The Trustee will then determine and announce which bid has been determined to be the highest or otherwise best bid (the "Successful Bid"). In determining which bid is the Successful Bid, the Trustee will consider

the net return after the payment of any Termination Fee or Expense Reimbursement, provided, however, that the Trustee will not be obligated to consider economic considerations as the sole criteria upon which the Trustee may base his decision and the Trustee shall take into account all factors he believes to be relevant in an exercise of his business judgment.

Stalking Horse Package

a. Termination Fee

The Trustee has entered into an agreement (“Stalking Horse Agreement”) with a Stalking Horse Bidder and to provide such Stalking Horse Bidder with a fee (the “Termination Fee”) of two percent (2%) of the purchase price offered by such bidder in the event that the Stalking Horse Bid(s) is/are not the successful bidder.

b. Expense Reimbursement

The Trustee has entered into an agreement with the Stalking Horse Bidder that provides for the reimbursement of reasonable costs and expenses, up to \$30,000, incurred in connection with its bid (the “Expense Reimbursement Agreement”).

The Termination Fee and Expense Reimbursement shall be considered by the Trustee in determining the highest or otherwise best bid and the net value that the estate will realize at any Auction.

The Stalking Horse Agreement and Expense Reimbursement Agreement provide that the Stalking Horse Bid is irrevocable until consummation of a transaction involving any other bidder for the Assets.

Reservation of Rights

a. Determination of Highest and Best Bid

The Trustee reserves the right and, if required, after notice and hearing before the Bankruptcy Court at which all parties in interest, and if appropriate, any bidder may be heard, to (i) determine in his reasonable discretion which offer is the highest or best offer and (ii) reject at any time prior to entry of a Court order approving an offer, without liability, any offer that the Trustee in his reasonable discretion deems to be (x) inadequate or insufficient, (y) not in conformity with the requirements of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, or procedures set forth therein or herein, or (z) contrary to the best interests of the estate.

The selection of a successful bidder shall be within the reasonable business judgment of the Trustee and subject to the approval of the Bankruptcy Court. Economic considerations shall not be the sole criteria upon which the Trustee may base his decision. In assessing whether a bid constitutes a higher or better offer, the Trustee shall consider, among other things, the net economic effect upon the estate. The presentation of a particular bid to the Bankruptcy Court for approval does not constitute the Trustee's acceptance of the bid. The

Trustee will be deemed to have accepted a bid only when the bid has been approved by the Bankruptcy Court at the Sale Approval Hearing. At or before the Sale Approval Hearing, the Trustee may impose such other reasonable terms and conditions on the Qualified Bidders as the Trustee determines to be in the best interest of the Trustee, its estate, its creditors, and other parties in interests.

b. Modification of Bidding Procedures

The Trustee reserves the right to (i) upon the entry of an appropriate order of the Bankruptcy Court extend the deadlines set forth in the Bidding Procedures and/or adjourn the Auction at the Auction and/or the Sale Approval Hearing in open court without further notice, (ii) withdraw any asset(s) (the "Withdrawn Assets") from the Sale at any time prior to or during the Auction, and to request separate hearing (s) by the Court to approve the sales(s) of some or all of the Withdrawn Assets, (iii) reject any or all Offers if, in the Trustee's reasonable business judgment, no bid is for a fair and adequate price, and (iv) seek approval of any separate agreement to sell some or all of the Withdrawn Assets at the Sale Approval Hearing.

c. Closing with Backup Offeror(s)

If for any reason the entity or entities that submit the highest or otherwise best bid fails to consummate the purchase of the Assets, the offeror of the second highest or best bid will automatically be deemed to have submitted the highest or best bid for all purposes, and to the extent the Trustee consents, the Trustee and such offeror shall effect the sale of the Assets to such offeror(s) as soon as is commercially reasonable. If such failure to consummate the purchase is the result of a breach by the winning offeror, the Trustee reserves the right to seek all available damages from the defaulting offeror.

Sale Approval Hearing

The Sale Approval Hearing will be held immediately after the Auction or at such other time as the Bankruptcy Court may direct. The Trustee shall seek the approval of the Sale to the highest or otherwise best bidder. The Trustee shall identify the highest or otherwise best bidder and identify the amount and other terms (if any) of the best bid. The hearing to approve the sale to the highest or otherwise best bidder shall be conducted at the United States Bankruptcy Court for the District of Connecticut, 450 Main Street, Hartford, Connecticut 06103 before the Honorable Albert S. Dabrowski, but may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Sale Approval Hearing.