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| In re                                    | : |                         |
|  | : | Chapter 11              |
| YOUNG BROADCASTING INC., <i>et al.</i> , | : |                         |
|  | : | Case No. 09-10645 (AJG) |
| Debtors. <sup>1</sup>                    | : |                         |
|  | : | (Jointly Administered)  |
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On February 13, 2009, Young Broadcasting Inc. and certain of its direct and indirect subsidiaries (collectively, the “Company” or “Debtors”), each commenced Chapter 11 proceedings. The Company filed for Chapter 11 protection to restructure its balance sheet, reduce indebtedness and improve liquidity. As part of the restructuring process, the Company is seeking investors to provide additional capital in support of the Company’s operations. The Company has put forward the following bidding procedures, pursuant to which the Company will solicit and evaluate offers to enter into an investment transaction (“Transaction”) with the Company. In an effort to maximize value for its creditors, the Company may consider proposals to consummate a Transaction through either a plan of reorganization or pursuant to Section 363 of the Bankruptcy Code.

**Timeline**

The Debtors shall:

- Accept bids from prospective Stalking Horse Bidders until 4:00 p.m. (Eastern time) on April 8, 2009;
- Select a Stalking Horse Bidder, if any, on April 22, 2009;
- Assist/allow Qualified Bidders in conducting their due diligence investigations through June 16, 2009;
- Accept bids from Qualified Bidders until 4:00 p.m. (Eastern) on June 17, 2009;
- Conduct an Auction, if necessary, and select the Prevailing Bidder (as defined below) on June 19, 2009; and

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<sup>1</sup> The Debtors in these cases are Young Broadcasting of Lansing, Inc., Young Broadcasting of Louisiana, Inc.; Young Broadcasting of Nashville, LLC; Young Broadcasting of Albany, Inc.; Young Broadcasting of Richmond, Inc.; Young Broadcasting of Knoxville, Inc.; Young Broadcasting of Green Bay, Inc.; Young Broadcasting of Davenport, Inc.; Young Broadcasting of Sioux Falls, Inc.; Young Broadcasting of Rapid City, Inc.; Young Broadcasting of San Francisco, Inc.; Young Broadcasting of Nashville, Inc.; Young Broadcasting of Los Angeles, Inc.; Young Broadcasting Shared Services, Inc.; Adam Young Inc.; WKRN, G.P.; WATE, G.P.; KLFY, L.P.; YBT, Inc.; YBK, Inc.; LAT, Inc.; Winnebago Television Corporation; Fidelity Television, Inc.; and Honey Bucket Films, Inc.

- Seek approval of the consummation of a Transaction with the Prevailing Bidder at a hearing before the Bankruptcy Court on June 25, 2009, at --:00 a.m./p.m.

### **The Bidding Procedures**

**Notice.** Within five (5) business days after the date on which the order approving these Bidding Procedures is entered (the “**Bidding Procedures Order**”), or as soon thereafter as is practicable, the Debtors will serve notice of the Bidding Procedures Order (the “**Bidding Procedures Notice**”) by first class mail, postage prepaid, to: (a) all potential purchasers previously identified or solicited by the Debtors or their advisors and any additional parties who have previously expressed an interest in potentially acquiring the Debtors’ assets at any time (collectively, the “**Interested Parties**”), (b) the Office of the United States Trustee, (c) counsel for Wachovia Bank, National Association, the administrative and collateral agent (the “**Prepetition Agent**”) under the Fourth Amended and Restated Credit Agreement and the Security Agreement, each dated May 3, 2005, and attendant mortgages, pledges, security agreements and related documents and other agreements (the “**Credit Documents**”) among the Debtors, the Prepetition Agent, and the lenders party thereto from time to time (the lenders shall be collectively referred to as the “**Prepetition Secured Lenders**”),<sup>2</sup> (d) counsel for the Official Committee of Unsecured Creditors (the “**Committee**”) appointed in this case, (e) the Federal Communications Commission (the “**FCC**”), (f) all parties who are known to possess or assert a lien, claim, encumbrance or interest in or upon any of the Assets, (g) the Internal Revenue Service, (h) all applicable federal, state and local regulatory or taxing authorities which have a reasonably known interest in any proposed Transaction, (i) all creditors and parties to applicable executory contracts, and (j) the Securities and Exchange Commission.

**Qualified Bidders.** A party interested in becoming a Qualified Bidder, as defined below, must deliver (unless previously delivered) to the Debtors, Young Broadcasting Inc. 599 Lexington Avenue, New York, New York 10022, (Attn: James A. Morgan), with copies to (i) Sonnenschein Nath & Rosenthal LLP, 1221 Avenue of the Americas, New York, New York 10020 (Attn: Peter D. Wolfson and Jo Christine Reed) and (ii) UBS Securities LLC, 299 Park Avenue, New York, New York 10171 (Attn: Janine McGrath Shelffo):

- an executed confidentiality agreement in form and substance satisfactory to the Debtors;
- the prospective bidder’s most current audited and latest unaudited financial statements (collectively, the “**Financials**”), or, if the prospective bidder is an entity formed for the purpose of consummating a Transaction, (x) Financials of the equity holder(s) of the prospective bidder or such other form of financial disclosure acceptable to the Debtors and (y) the written commitment reasonably acceptable to the Debtors of the equity holder(s) of the prospective bidder to be

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<sup>2</sup> Except as otherwise expressly provided for herein, nothing in these Bidding Procedures shall limit the rights of the Debtors, the Prepetition Agent or any Prepetition Secured Lender under the Credit Documents.

responsible for the prospective bidder's obligations in connection with a Transaction;

- A certification setting forth that such prospective bidder does not have any pending actions before, and is not subject to any order issued by, any governmental authority (including the FCC) that prohibits, or if such action were successful would prohibit, such prospective bidder from consummating a Transaction if its bid is determined to be the Prevailing Bid; and that such prospective bidder is fully qualified under applicable laws and regulations with respect to ownership, including, but not limited to, FCC rules and regulations regarding multiple ownership in a designated marketing area, to hold the Debtors' FCC licenses; and
- Other written evidence, in form and substance satisfactory to the Debtors in their sole discretion, as may be requested by the Debtors or their advisors, from time to time.

A prospective bidder that complies with all of the foregoing requirements, whose Financials reasonably demonstrate the financial capability to consummate a Transaction and who the Debtors, after consultation with their advisors, reasonably determine is likely to consummate a Transaction if selected as the Prevailing Bidder, after taking into account all relevant legal, regulatory, and business considerations, may be identified as a "Qualified Bidder." Within three (3) business days after the Debtors receive from a prospective bidder all the materials required in the preceding paragraph, the Debtors shall notify the prospective bidder in writing whether the prospective bidder is a Qualified Bidder. (If the Debtors believe that a prospective bidder is not qualified, they will consult with the Prepetition Agent and the Committee (on a "no names" basis unless the prospective bidder agrees otherwise) before advising the bidder that it is not a Qualified Bidder).

For the purposes of these Bidding Procedures, the terms and conditions of the bidding process described herein below and the Bidding Procedures Order, the Prepetition Agent is deemed a Qualified Bidder and, notwithstanding anything to the contrary herein, cannot be excluded from the Auction process or from making a credit bid (and higher credit bids with respect to such credit bid) of all or any portion of the claims of any or all of the Prepetition Secured Lenders.<sup>3</sup>

The Debtors reserve the right (i) at any time to require any prospective bidder previously determined to be a Qualified Bidder to provide additional evidence of its ability to consummate a

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<sup>3</sup> All references in these Bidding Procedures to the bid of the Prepetition Agent shall mean a credit bid (and subsequent higher credit bids in respect of such credit bid) made by the Prepetition Agent on behalf and at the instruction of the Majority Lenders (as such term is used in the Credit Documents) of all or any portion of the claims of any or all of the Prepetition Secured Lenders that arise out of, or relate to, the Credit Documents. The provisions of these Bidding Procedures in respect of a bid of the Prepetition Agent are without prejudice to the rights of any Prepetition Secured Lender to separately bid as may be provided in the Credit Documents, these bidding procedures or applicable law.

Transaction in order to remain a Qualified Bidder and (ii) to exclude any prospective bidder from participating further in the Auction process as a result of its inability to satisfy such further requirements to become a Qualified Bidder.

Any prospective bidder interested in requesting information about the qualification process should contact UBS Securities LLC, Janine McGrath Shelffo, 212.821.6165, janine.shelffo@ubs.com or Sonnenschein Nath & Rosenthal LLP, Jo Christine Reed, 212.398.5236, jcreed@sonnenschein.com.

Due Diligence Requests. Upon execution of a confidentiality agreement, the Debtors will provide a Qualified Bidder with access to their electronic data rooms and, to the extent possible, will arrange introductory meetings between the Qualified Bidder and the Debtors' management.

To obtain more extensive due diligence access or additional information regarding the Assets or the Debtors, including station visits, a Qualified Bidder must first provide the Debtors with a written non-binding indication of interest ("Indication of Interest") regarding a Transaction, including the following:

- the purchase price composition and range;
- the structure and financing of the Transaction (including the amount of cash to be committed and sources of financing);
- any conditions to closing that it may wish to impose; and
- the nature and extent of additional due diligence it may wish to conduct.

If the Debtors, in their reasonable judgment, determine that a Qualified Bidder that has submitted an Indication of Interest is reasonably likely to make a *bona fide* offer, then the Debtors shall afford such Qualified Bidder reasonable due diligence and provide them with a copy of the Debtors' proposed transaction agreement (the "Transaction Agreement"). (If the Debtors believe that a Qualified Bidder that has submitted an Indication of Interest is not reasonably likely to make a *bona fide* offer, they will consult with the Prepetition Agent and the Committee (on a "no names" basis unless the Qualified Bidder agrees otherwise) before advising the Qualified Bidder that it will not be afforded further due diligence). Neither the Debtors nor any of their affiliates (or any of their respective representatives) are obligated to furnish any information relating to the Debtors, the Assets, and/or a Transaction to any person except to a Qualified Bidder who submits an Indication of Interest. The Debtors shall coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders. No conditions relating to the completion of due diligence shall be permitted to exist after the Bidding Deadline (as hereinafter defined). The Debtors shall not allow a Qualified Bidder who operates or is affiliated with a competitive business to conduct highly sensitive due diligence, such as (i) specific customer pricing arrangements, (ii) junior management or employee interviews, (iii) customer interviews, or (iv) other highly confidential areas unless and until such Qualified Bidder has submitted a definitive asset purchase agreement acceptable to the Debtors.

The Debtors reserve the right to restrict access to information by any Qualified Bidder or the employees, agents or representatives of any Qualified Bidder. The Debtors shall share the terms of all Indications of Interest promptly after receipt of such Indication of Interest on a confidential basis with the Prepetition Agent, the informal steering committee of lenders (the “Steering Committee”), their respective advisors, any other Prepetition Secured Lender that has signed a confidentiality agreement with the Debtors, and the Committee and its advisors; *provided, however*, that Indications of Interest shall not be shared with any entity (other than the Prepetition Agent) or any member of either the Steering Committee or the Committee that intends to be or becomes a Qualified Bidder.

Any Qualified Bidder conducting due diligence must complete their due diligence investigation by June 16, 2009. The Prepetition Agent is deemed to have already submitted a proper Indication of Interest.

Debtors’ Entitlement to Due Diligence. The Debtors and their advisors shall be entitled to due diligence from a Qualified Bidder to the extent necessary (taking into account any publicly available financial statements) upon execution of a confidentiality agreement. Each Qualified Bidder shall comply with all reasonable requests for additional information and due diligence access by the Debtors or their advisors. Failure by the Qualified Bidder to appropriately comply with reasonable requests for additional information and due diligence access may be a basis for the Debtors to determine that a bid made by the Qualified Bidder is not a Qualified Bid (as hereinafter defined), unless the Bankruptcy Court orders otherwise. The requirements of this paragraph shall not apply to a bid of the Prepetition Agent.

Bid Requirements. Bids shall:

- be in writing and must enclose a “clean” version of an equity or asset purchase agreement together with a blackline that has been marked to show modifications to the Transaction Agreement provided by the Debtors;
- identify the Debtors’ operations to be acquired with the bid and the consideration to be paid for such operations or assets;
- identify whether the Transaction is to be consummated under Section 363 of the Bankruptcy Code or through a plan of reorganization;
- identify the structure and financing of the Transaction, detailing what portion of the consideration is to be paid in cash and what portion of the consideration is to be paid in any other form of consideration and identifying sources of financing;
- contain sufficient information concerning non-cash consideration to permit the Debtors to assess accurately the value of such consideration;
- include a letter setting forth (i) the identity of the bidder and the identity of all persons having direct or indirect ownership or control of such bidder, (ii) such bidder’s counsel, (iii) contact information for such bidder, its authorized

representative and its counsel, and as to each, such person's full name, company or firm, physical address or other address at which such person receives overnight deliveries, telephone number, facsimile number and email address and (iv) an acknowledgment (a) that the bidder has had an opportunity to examine the assets and liabilities of the Debtor prior to making its offer, (b) that the bidder has relied solely upon its own independent review, investigation and/or inspection of any documents in making its bid and (c) that the bidder did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied, by operation of law or otherwise, regarding the Debtors' assets, or the completeness of any information provided in connection with the Debtors' implementation of the Bidding Procedures, in each case except as expressly stated in its bid;

- contain evidence of a written commitment for financing from a reputable financing source, funds on hand or other evidence in writing of the bidder's financial ability to consummate the Transaction;
- contain a written acknowledgment that such bid is not contingent upon any event, including, without limitation, any due diligence investigation, or the receipt of financing, approval from any board of director, shareholders or similar governing body, or any other event that is in addition to or more burdensome than the conditions set forth in the Transaction Agreement;
- contain a written representation that the bidder has the requisite corporate or similar authority to consummate the bid;
- contain a written representation regarding the equity ownership of the bidder by foreign citizens;
- contain a written acknowledgement that such bid is irrevocable until the close of the Transaction with the Prevailing Bidder;
- contain written evidence that the bidder can provide adequate assurance of its future performance under any executory contract or unexpired lease that is to be assumed and assigned to such bidder as a condition to closing;
- contain written evidence that the bidder is qualified to hold the Debtor's FCC and other regulatory licenses following consummation of the Transaction;
- if any bid is conditioned upon the assumption and assignment of executory contracts or unexpired leases, then such bidder shall be required (i) to identify such contracts and/or leases to be assumed and assigned (subject to any right to amend the list to delete certain executory contracts or unexpired leases) and (ii) provide evidence of its ability to provide adequate assurance of future performance of such contracts or leases along with the bid (an "Adequate Assurance Package");

- be accompanied by a deposit in an amount equal to the lesser of 10% of the bid amount and \$25 million (the “Good Faith Deposit”) in the form of a certified check or wire transfer payable to Young Broadcasting Inc. along with a written undertaking that if deemed the winning bidder, the bidder will provide an additional cash deposit (the “Additional Deposit”) such that the total deposit equals 10% of the value of the winning bid;<sup>4</sup> provided however that a credit bid by the Prepetition Agent shall not be subject to the Good Faith Deposit and Additional Deposit requirements described herein; and
- be supplemented with such other information as the Debtors may request.

The Debtors shall consider bids on any or all of their assets, including, without limitation, on individual stations or groups of stations. Bids, other than any bid received from the Prepetition Agent, will not be shared among bidders. The Debtors shall share on a confidential basis with the Committee, the Prepetition Agent, and the Steering Committee and their respective advisors, the identity of all Qualified Bidders that submit bids and copies of all bids; *provided, however*, that such information shall not be shared with (i) any member of the Committee that is acting or intends to act as a bidder or (ii) any Prepetition Secured Lender that is acting or intends to act as a bidder (other than through the Prepetition Agent on behalf of and acting upon the instructions of the Majority Lenders).

Bidding Deadline. Bids and Adequate Assurance Packages must be submitted so that they are actually received by no later than 4:00 p.m. Eastern Time on June 17, 2009 (the “Bidding Deadline”) by Young Broadcasting Inc., 599 Lexington Avenue, New York, New York 10022, (Attn: James A. Morgan), with copies to (i) Sonnenschein Nath & Rosenthal LLP, 1221 Avenue of the Americas, New York, New York 10020 (Attn: Peter D. Wolfson and Jo Christine Reed) and (ii) UBS Securities LLC, 299 Park Avenue, New York, New York 10171 (Attn: Janine McGrath Shelffo). The Debtors may, at their discretion, extend the Bidding Deadline for certain bidders, but are under no obligation to do so and may not be required to review or consider bids that are submitted after the Bidding Deadline.

Qualified Bid. A bid received from a Qualified Bidder that meets the requirements set forth in the preceding two paragraphs will be considered a “Qualified Bid” if the Debtors, in consultation with the Prepetition Agent and the Committee, reasonably believe or the Bankruptcy Court determines that such bid would be consummated if selected as the Prevailing Bid (as hereinafter defined).

Stalking Horse Bid. Debtors shall require any bidder requesting to be considered as the stalking horse bidder to submit a revised Indication of Interest, together with a “clean” version of an equity or asset purchase agreement along with a blackline that has been marked to show modifications to the Transaction Agreement provided by the Debtors by 4:00 p.m. Eastern Time on April 8, 2009. In order to maximize the value of their assets, the Bankruptcy Court has

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<sup>4</sup> The Good Faith Deposit and the Additional Deposit shall be deposited into a separate escrow, without interest, pursuant to an escrow agreement, until the close of the winning bid.

authorized the Debtors to enter into a stalking horse agreement on or before April 22, 2009, with a bidder (the “Stalking Horse Bidder” and such bidder’s bid is a “Stalking Horse Bid”) submitting a Qualified Bid that the Debtors, in consultation with the Prepetition Agent and the Committee, deem to be the highest and the best. Notwithstanding anything to the contrary in these Bidding Procedures, the Debtors may consider and enter into a stalking horse agreement with a bidder that has submitted a bid contingent upon due diligence investigation, or the receipt of financing; *provided, however*, that prior to May 15, 2009, the Stalking Horse Bidder must provide written acknowledgement that such bid is no longer contingent upon any due diligence investigation or the receipt of financing. Failure to remove all contingencies and conditions prior to May 15, 2009 will result in the Stalking Horse Bidder no longer being deemed the Stalking Horse Bidder and such bidder will not be entitled to the benefits set forth herein. In the event the Stalking Horse Bidder’s bid is unconditional and with no remaining contingencies by May 15, 2009, and is selected as the Opening Bid at the auction, but the Stalking Horse Bidder is not the Prevailing Bidder, then the Stalking Horse Bidder shall be entitled to a break-up fee of up to three percent (3%) of the proposed consideration to be paid under the Stalking Horse Bid and an expense reimbursement of up to \$300,000 (collectively, the “Termination Fee”). The Termination Fee shall be considered by the Debtors in determining the highest and best bid and the net value that the Debtors’ estates will realize at any Auction.

Nothing in these Bidding Procedures shall prevent the Debtors from selecting the Prepetition Agent or any Prepetition Secured Lender as the Stalking Horse Bidder; provided, however, that if the Prepetition Agent or any Prepetition Secured Lender selected as the Stalking Horse Bidder shall only be entitled to the Termination Fee if such bid is a cash bid or if such bid is in excess of the Prepetition Agent’s secured claim.

Opening Bid. The bid serving as the starting point for the bidding at the Auction is the “Opening Bid.” If a Stalking Horse Bid is selected and unconditional as of May 15, 2009, it will serve as the Opening Bid. If there is no effective Stalking Horse Bid, the Debtors, in consultation with the Prepetition Agent and the Committee, shall select the bid they consider to be highest and best Qualified Bid to be the Opening Bid.

The Auction. Subject to the provisions below, if at least two Qualified Bids have been received, the Debtors shall conduct an Auction (the “Auction”). The Auction will be conducted at the offices of Sonnenschein Nath & Rosenthal LLP, 1221 Avenue of the Americas, New York, New York 10020 on June 19, 2009 at 10:00 a.m., or such later time or other place as the Debtors shall notify all Qualified Bidders. Unless otherwise ordered by the Bankruptcy Court for cause shown, only a Qualified Bidder that has submitted a Qualified Bid is eligible to participate in the Auction. Only the authorized representatives of each of the Qualified Bidders that has submitted a Qualified Bid, the Prepetition Agent, the Committee, and the Debtors shall be permitted to attend the Auction. All Qualified Bidders participating in the Auction shall appear in person, or through a duly authorized representative, at the Auction. At least two (2) business days prior to the Auction, each Qualified Bidder who has submitted a Qualified Bid must inform the Debtors whether it intends to participate in the Auction. If no Qualified Bids (other than the Opening Bid) are received by the Bidding Deadline or no Qualified Bidder indicates an intent to participate at the Auction, then the Auction will not be held, the Qualified Bidder making the

Opening Bid will be the Prevailing Bidder (as hereinafter defined), and at the Approval Hearing (as hereinafter defined), the Debtors may, in their discretion, seek approval of the Opening Bid by the Bankruptcy Court.

Auction Procedures. Based upon the terms of the Qualified Bids received, the number of Qualified Bidders participating in the Auction, and such other information as the Debtors reasonably determine is relevant, the Debtors and their advisors shall direct and preside over the Auction in their good faith judgment, to promote the goals of the bidding process, achieve the maximum value for all parties in interest, and in a manner consistent with the provisions of the Bidding Procedures Order, the Bankruptcy Code, or any order of the Bankruptcy Court entered in connection herewith. The Debtors shall maintain a transcript of all bids made and announced at the Auction, including all Overbids (as hereinafter defined) and the Prevailing Bid. The Auction shall be conducted in accordance with the following procedures:

- a. Bidding at the Auction shall begin with the Debtors announcing the Opening Bid and the Debtors' determination of the value of such bid. Any bid made at the Auction subsequent to the announcement of the Opening Bid shall initially be in minimum increments of at least \$1,000,000 higher than the previous bid or bids and shall comply with all of the conditions for a Qualified Bid (an "Overbid"); provided, however, that the first bid above the Stalking Horse bid, if any, shall be at least \$1,000,000 higher than the Stalking Horse Bid plus the Termination Fee. The Auction shall continue in one or more rounds of bidding and shall conclude after each participating bidder has had the opportunity to submit an Overbid with knowledge of the then-existing highest bid or bids.
- b. In the event a Stalking Horse Bidder participates in the Auction and submits a topping bid, it is entitled to credit bid its Termination Fee in each round of bidding in connection with its participation in the Auction; provided, however, participation in the Auction does not in any way limit or affect the Stalking Horse Bidder's rights to receive the Termination Fee.
- c. The Prepetition Agent shall have the right to credit bid, (and make higher credit bids in respect of such credit bid) at the Auction all or any portion of claims of one or more of the Prepetition Secured Lenders in accordance with the instructions of the requisite Prepetition Secured Lenders. A credit bid by the Prepetition Agent shall be deemed in all respects equal in value, and in its economic effect upon the Debtors' estates, to an all-cash bid.
- d. All Qualified Bidders who have submitted a Qualified Bid shall be entitled to be present for the announcement of all Overbids with the understanding that the identity of each bidder shall be fully disclosed to all other bidders at the Auction and that all material terms of each Overbid will be fully disclosed to all other bidders throughout the entire Auction.

- e. The Debtors and their advisors, in consultation with the Prepetition Agent and Committee, may employ and announce at the Auction additional or different rules that are reasonable under the circumstances (*e.g.*, the amount of time allotted to make an Overbid) for conducting the Auction, provided that such rules are not inconsistent with the Bankruptcy Code or any Bankruptcy Court order.
- f. The Debtors will, from time to time, in an open forum, advise Qualified Bidders participating in the Auction of their determination as to the terms of the then highest and best bid.
- g. The Debtors, in consultation with the Prepetition Agent and the Committee, shall (i) review each Qualified Bid on the basis of financial and contractual terms and the factors relevant to the investment process, including those factors affecting the speed and certainty of consummating the Qualified Bid and values to creditors and (ii) identify the highest and best offer (the “Prevailing Bid”) and the bidder making such proposal (the “Prevailing Bidder”). The winning bidder(s) will be required to enter into a definitive agreement (as modified by the bids submitted at the Auction) before the Auction is adjourned.
- h. Within two (2) days prior to the Approval Hearing, the Debtors will file a report with the Bankruptcy Court disclosing (i) the number of offers received before the Bidding Deadline, (ii) the number of Qualified Bidders that attended the Auction, (iii) the identity of the Prevailing Bidder, (iv) the material terms of the Prevailing Bid, and (v) the identity of the second highest and best bid (the “Back-Up Bidder”) (the “Auction Report”).

Acceptance of the Prevailing Bid. The Debtors’ presentation of the Prevailing Bid to the Bankruptcy Court for approval does not constitute their acceptance of the Prevailing Bid. The Debtors will be deemed to have accepted the Prevailing Bid upon the Bankruptcy Court’s approval of the Prevailing Bid at the Approval Hearing (as hereinafter defined) and definitive documentation has been executed in respect of the Prevailing Bid. Debtors are not required to accept or present any bid other than a Stalking Horse Bid.

Additional Deposits. Within 24 hours after the Auction, any Prevailing Bidder must supplement the Good Faith Deposit (through certified check or wire transfer), so that the total deposit equals 10% of the value of the winning bid (provided, however, that such Good Faith Deposit and Additional Deposit requirements shall not apply to the credit bid submitted by the Prepetition Agent). Such deposit will be held in escrow, without interest, until the close of the Transaction with the Prevailing Bidder. Such deposit will be forfeited in the event that any bidder for an accepted bid defaults.

Approval Hearing. The Approval Hearing will be held before the Honorable Arthur J. Gonzalez, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10001, on June 25,

2009 at --:00 a.m./p.m. or such other date and time as determined by the Debtors or the Bankruptcy Court. The consummation of a Transaction will be subject to an order either confirming the Debtors' chapter 11 plan or approving a Transaction pursuant to section 363(b) of the Bankruptcy Code.

Failure to Consummate Transaction. Following the Approval Hearing, if the Prevailing Bidder fails to consummate a Transaction because the Prevailing Bidder either breaches or otherwise fails to perform, the Debtors are authorized, but not required, to consummate a Transaction with one or more of the Back-Up Bidders without further order of the Bankruptcy Court, upon three (3) business days' written notice to the Prepetition Agent and the Committee. In such case, upon the expiration of the three (3) business days' notice, the Back-Up Bidder(s) shall be deemed to be the Prevailing Bidder(s) and shall be required to consummate a Transaction under the terms and conditions of its highest bid. In addition to any and all other remedies at law or in equity, any defaulting Prevailing Bidder's deposit shall be forfeited to the Debtors.

Reservation of Rights. The Debtors, subject to the ultimate review and determination by the Bankruptcy Court, reserve the right to (i) determine at their reasonable discretion which offer is the highest and best offer and (ii) reject at any time prior to entry of a Court order approving an offer, without liability, any offer for any reason, including, but not limited to a determination by the Debtors in their reasonable discretion that an offer is (x) inadequate or insufficient, (y) not in conformity with the requirements of the Bankruptcy Code, the Bankruptcy Rule, the Local Rule, or the procedures set forth therein or herein, or (z) contrary to the best interests of the Debtors and their estates.

The selection of a Prevailing Bidder shall be within the reasonable business judgment of the Debtors and subject to the approval of the Bankruptcy Court, and economic considerations shall not be the sole criteria upon which the Debtors may base their decision. In assessing whether a bid constitutes a higher or better offer, the Debtors shall consider, among other things, the net economic effect upon the Debtors' estates. The presentation of a particular bid to the Bankruptcy Court for approval does not constitute the Debtors' acceptance of the bid. The Debtors will be deemed to have accepted a bid only when the bid has been approved by the Bankruptcy Court at the Approval Hearing.

The Debtors, subject to the ultimate review and determination by the Bankruptcy Court, reserve their right to modify such procedures as necessary or as they deem appropriate to maximize value for their estates and creditors. In addition, the Debtors reserve their right to withdraw any or all assets or businesses from the sale at any time prior to Court approval of such sale. The Debtors believe that such Bidding Procedures are appropriate and will maximize the recovery for the Debtors and their estates in connection with the Auction.

The Debtors reserve the right to extend the deadlines set forth in the Bidding Procedures and/or adjourn the Auction and/or the Approval Hearing without further notice and waive certain of the specified requirements for a Qualified Bid.

**THE BID OF ANY BIDDER FAILING TO COMPLY WITH THESE REQUIREMENTS IN ANY MATERIAL WAY MAY NOT BE CONSIDERED BY THE DEBTORS IN THEIR REASONABLE DISCRETION, SUBJECT TO ANY ORDER OF THE BANKRUPTCY COURT TO THE CONTRARY.**