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September 27, 2006

On behalf of Tranzon Fox, I would like to thank you for your interest in buying the assets of IPIX Corporation. This sale represents a tremendous opportunity to purchase intellectual property, entire business lines, and equipment assets from the world's premier provider of immersive imaging technology. The IPIX brand is known throughout the world as the leader in 360° still and video imaging. We believe this to be an extraordinary opportunity to not only own a piece of brand history, but the comprehensive intellectual property that supports the IPIX product line.

Enclosed you will find:

- The latest press release about the sale of IPIX assets
- The Table of Contents from the Asset Information Package CD's listing many of the IPIX intellectual property assets
- The Bidding Procedures approved by the US Bankruptcy Court
- The Confidentiality Agreement

In order to obtain the Asset Information Package CD's with the detailed patent and trademark information, please sign and return the Confidentiality Agreement to Tranzon Fox via fax as soon as possible at (757) 473-9787. We have gone to great lengths to provide as much information as possible about the assets. The Asset Information Package CD's are in excess of 17,000 pages of documentation with PTO file wraps, title searches, reference patent file wraps, product inventory and information, and an equipment listing.

You will note in the Bidding Procedures there are several dates set aside for in-person inspections. To set up an appointment on one of the dates, please contact Meg Vavrck, Tranzon Fox, at 703-539-8644 or [mvavrck@tranzon.com](mailto:mvavrck@tranzon.com). No appointments will be scheduled until we have received your signed Confidentiality Agreement. Additionally, updates to the asset list will be sent out via email to those that provide the signed Confidentiality Agreement.

Bid submissions are due Monday October 23, 2006 at 4pm EST. Please feel free to either email me at [skarbelk@tranzon.com](mailto:skarbelk@tranzon.com) or call at (703) 539-8622 should you have any further questions.

Sincerely,

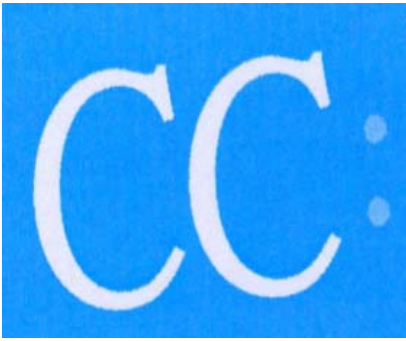
*Stephen Karbelk*

Stephen Karbelk, CAI  
Regional President  
Tranzon Fox

watch for new listings: [www.tranzon.com](http://www.tranzon.com)

**Sold.**

Changing the way  
real estate is sold...  
one auction at a time.



**Press Contact:**

*Liz Chuday, Chuday Communications*  
(410) 464-1100 or [chudcom@cs.com](mailto:chudcom@cs.com)

**FOR IMMEDIATE RELEASE**

**IPIX SEALED-BID AUCTION DEADLINE SET FOR  
OCT 23; NEW ASSETS UNCOVERED INCLUDING  
MULTIPLE 360-DEGREE SURVEILLANCE  
TECHNOLOGY PATENTS**

**Deal Reached to Continue Limited Operations,  
Provide Customer Support**

**Fairfax, VA September 27, 2006** – Today the U.S. Bankruptcy Court for the Eastern District of Virginia, Alexandria Division approved the Bidding Procedures and the bid deadline date of Monday, October 23 at 4:00 p.m. (EST) for receipt of sealed-bid submissions in the liquidation of IPIX Corporation, a public company whose patented 360-degree surveillance technology takes on heightened importance in an era of global terrorist attacks and security breaches.

Additionally, the Court entered an Order that IPIX may resume limited operations and reactivate its website for IPIX customers, according to the court-appointed trustee, Donald F. King, an attorney with Odin Feldman and Pittleman, PC, in Fairfax, VA.

The Reston, VA based company filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code on July 31 (Case No. 06-10856) and ceased all operations until the new bankruptcy court ruling came down, allowing IPIX to generate revenue again from sources including [ipixstore.com](http://ipixstore.com). Certain ex-IPIX employees have been temporarily rehired by the Trustee to assist with these efforts.

Another new development in the liquidation of IPIX is the uncovering of additional assets since the initial bankruptcy filing, according to Stephen Karbelk, sales agent for the trustee and the auction process. Based in Fairfax, VA, Karbelk is the Regional President for Tranzon Fox, an affiliate of the national auction organization, Tranzon, LLC.

“Assets really span the spectrum, from the simple to the complex, which really widens the base of potential bidders. Interested parties may submit bids for individual patents or trademarks, including the IPIX brand, or pursue a much higher investment level and pursue entire business units, such as the Digital Still Photography business, or the entire company” says Karbelk.

“There are approximately 38 U.S. patents owned by IPIX in addition to other patents registered with the European Union and other nations. IPIX’s core technology – as well as seven different trademarks and the IPIX name and logo – are all available for purchase.”

A burgeoning commercial business complemented the military side, as industries used the technology to enhance their operations. Realtors, for example, installed the software and technology to offer virtual tours of properties and retailers bought IPIX products to bring added safety and anti-theft measures to store locations. The 360° Digital Immersive Video business is ideally suited for retail store surveillance. Prior to the bankruptcy, IPIX successfully completed a pilot program with three Fortune 50 retail companies.

The asset list includes IPIX assets such as the **360° Digital Immersive Video business line**, including the CommandView™ product line; the **Still Photography business line**, including the Host@IPIX self-service management for immersive image distribution; and the **Gigapixel Camera patents**, an experimental high-resolution camera developed through a federal government research project. Additional patents that were not part of IPIX’s core business, including the Omniview Motionless Camera Endoscopy System – as well as a host of others – also are included in the list.

IPIX earned an international reputation for the quality of its high-resolution digital 360° video cameras and immersive still photography business. Its patented technology has the ability to provide complete video coverage -- ideal for homeland security purposes -- including airport surveillance, U.S. border management and military operations.

"We expect buyers of these assets will be able to maximize the full potential of IPIX's patented technologies as well as continue to grow the IPIX customer base. By offering the assets by business line, we give every buyer, regardless of their level of interest, the opportunity to make bids," says Karbelk.

Bidders are required to sign the Confidentiality Agreement (CA) prior to receiving the detailed Asset Information Package CD's, which will include copies of file wraps from the patent and trade offices of U.S. as well as foreign governments, plus other due diligence documentation. In total, there are over 17,000 pages of information in the Asset Information Package.

King believes the final sales tally will exceed IPIX's \$5 million secured lien and expects to identify the highest bidders within a week of the October 23 deadline date, completing the sales and transferring the assets by the end of November or beginning of December.

All sales are subject to U.S. Bankruptcy Court approval.

Interested bidders may contact Stephen Karbelk or Meg Vavrck at Tranzon Fox at 703-539-8622 (office) or via email at [skarbelk@tranzon.com](mailto:skarbelk@tranzon.com) or [mvavrck@tranzon.com](mailto:mvavrck@tranzon.com). For a complete listing of the available assets, the Bidding Procedures and a Confidentiality Agreement, log on to [www.tranzon.com](http://www.tranzon.com).

Tranzon Fox is a full-service auction company and a member company of Tranzon, L.L.C., which is based in Richmond, Va. Founded in 2001, Tranzon L.L.C. has 14 independently owned and operated member auction companies that collectively have more than 20 offices coast-to-coast. The professionals working at Tranzon member companies specialize in providing real estate, business asset and liquidation auction and accelerated marketing services to corporations, financial institutions, trustees, individuals and estates throughout the U.S.

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IPIX Corporation  
Table of Contents for Asset Information Package

*The below listing is a summary listing of assets. It includes all of the known patents and trademarks, including provisional and pending patents. It also identifies what will be in the Asset Information Package. Please note that there are the same patents listed in both Sections 3.0 and 4.0. This was done to aid you in identifying which patents apply to which business lines and which have a dual use. When you receive the Asset Information Package, Section 1.70 will have the Asset Purchase Agreement along with instructions on how to submit your bid.*

Section	
1.00	<u>General Background Company Data</u>
1.10	Corporate Background
1.20	Bankruptcy Filings
1.30	10K filings
1.40	IPIX Overview CD
1.50	Bidding Procedures and Instructions
1.60	Proposed Order Transferring Ownership of a Patent
1.70	Word version of the Asset Purchase Agreement
2.00	<u>Asset Category #1 - General Brand Assets</u>
2.10	Marketing Materials
2.20	IPIX name, logo, and image
	IPIX (2,261,417)
	IPIX (75,262331)
	IPIX (75-458580)
	IPIX (TMA559,938)
	IPIX (515064)
	IPIX (1162700)
	IPIX (4402602)
	IPIX (406401)
	IPIX (45794)
	IPIX (T97/03605J)
	IPIX (T97/03604B)
	IPIX (472414)
	IPIX (State Registration)
	IPIX (40083)
	IPIX (40086)
	IPIX (1,162,700)
	IPIX (730298)
	IPIX & Design (2,462,085)
	IPIX & Design (Logo) - (78-463342)
	IPIX (97/07353)
	IPIX & Design (Logo) (4,271,938)

	IPIX (Logo) (40040)
	IPIX (Logo) (40087)
	IPIX and Design (Logo) (3,116,070)
2.30	www.ipix.com
2.40	IPIX Specific Artwork of 360 still images - framed
2.50	Trade Show Booths
3.00	<u>Asset Category #2 - Immersive Still Photography</u>
3.10	IPIX Marketing Materials - text describing the product and services
	<u>Patents and Pending Patents that support an Immersive Still Business</u>
	<b>Patents in <i>Italics</i> are in Section 3.0 and Section 4.0 since they have video <u>and</u> stills business applications</b>
3.20	<i>Apparatus, Media and Method for Capturing and Processing Spherical Images (EP99918469.0)</i>
3.21	<i>Method and Apparatus for creating Spherical Images (EP05013420.4)</i>
3.21	<i>Method and Apparatus for Creating Spherical Images (97/01241)</i>
3.21	<i>Method and Apparatus For Creating Spherical Images (3,290,993)</i>
3.22	<i>Method and Apparatus for Inserting a High Resolution Image Into a Low Resolution Interactive Image to Produce a Realistic Immersive Experience (6,147,709)</i>
3.22	<i>Method and Apparatus for Inserting a High Resolution Image Into a Low Resolution Interactive Image to Produce a Realistic Immersive Experience (98/46014)</i>
3.22	<i>Method and Apparatus for Inserting a High Resolution Image Into a Low Resolution Interactive Image to Produce a Realistic Immersive Experience (739,459)</i>
3.23	<i>Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images (5,764,276)</i>
3.23	<i>Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images (56,273)</i>
3.23	<i>Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images (6,256,061 B1)</i>

3.24	<i>Method and Apparatus for Providing Virtual Processing Effects for Wide-Angle Video Images (10,898,865)</i>
3.24	<i>Method and Apparatus for Providing Virtual Processing Effects for Wide-Angle Video Images (6,778,211 B1)</i>
3.24	<i>Method and Apparatus for Providing Virtual Processing Effects for Wide-Angle Video Images (WO 00/60853 A1) (60/128,613)</i>
3.24	<i>Method and Apparatus for Providing Virtual Processing Effects for Wide-Angle Video Images (WO 00/60869 A1) (60,128,613)</i>
3.25	<i>Method and Apparatus for Simultaneous Capture of a Spherical Image (6,002,430)</i>
3.26	<i>Method and Apparatus for the Interactive Display of any Portion of a Spherical Image (5,990,941)</i>
3.26	<i>Method and Apparatus for the Interactive Display of any Portion of a Spherical Image - (6,795,113 B1)</i>
3.27	<i>Method and Mechanism for Automatic Opposing Alignment of Photographic Image Capture (WO 98/27457) (08/767,376)</i>
3.28	<i>Method and System for Creation and Interactive Viewing of Totally Immersive Stereoscopic Images (6,301,447 B1)</i>
3.28	<i>Method and System for the Creation and Interactive Viewing of Totally Immersive Stereoscopic Images (60/061,342) (EP98953342.7)</i>
3.28	<i>Method for Creation and Interactive Viewing of Totally Immersive Stereoscopic Images (72,264)</i>
3.29	<i>Motionless Camera Orientation System Distortion Correcting Sensing Element - (6,201,574 B1)</i>
3.30	<i>Omniview Motionless Camera Orientation System (Re. 36,207)</i>
3.30	<i>Omniview Motionless Camera Orientation System (5,185,667)</i>
3.30	<i>Omniview Motionless Camera Orientation System (08/887,319)</i>
3.30	<i>Omniview Motionless Camera Orientation System (WIPO)</i>
3.30	<i>Omniview Motionless Camera Orientation System (formerly "Method and Apparatus for Simultaneous Capture of a Spherical Image") (09/315,962)</i>
3.30	<i>Omniview Motionless Camera Surveillance System (5,359,363)</i>
3.30	<i>Omniview Motionless Camera Surveillance System (EP0971540 B1)</i>
3.30	<i>Omniview Motionless Camera Surveillance System (3,051,173)</i>
3.31	<i>Presenting Manipulating and Serving Immersive Images (6,492,985 B1)</i>
3.31	<i>Presenting Manipulating and Serving Immersive Images (WO 01/02941 A3) (09/347.777)</i>

3.32	<i>Seamless Multi-Camera Panoramic Imaging With Distortion Correction and Selectable Field of View (5,657,073)</i>
3.33	<i>Simultaneous Display of Multiple Views in Wide Angle Video (See Certificate of Correction) - aka System for Omnidirectional Image Viewing at a Remote Location without the Transmission of Control Signals to Select Viewing Parameters - US (6,603,502 B2)</i>
3.34	<i>System for Omnidirectional Image Viewing at a Remote Location Without the Transmission of Control (5,877,801)</i>
3.34	<i>System For Omnidirectional Image Viewing at a Remote Location Without the Transmission of Control Signals To Select Viewing Parameters (5,384,588)</i>
3.35	<i>Velocity-Dependant Dewarping of Images (6,687,387 B1)</i>
3.36	<i>Video Viewing Experiences Using Still Images (97/31482)</i>
3.36	<i>Video Viewing Experiences Using Still Images (title known as US Patent: Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images) (EP0940038 B1)</i>
3.36	<i>Video Viewing Experiences Using Still Images (title known as US Patent: Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images) (723,085)</i>
3.36	<i>Video Viewing Experiences Using Still Images (title known as US Patent: Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images) (940,038)</i>
3.36	<i>Video Viewing Experiences Using Still Images (title known as US Patent: Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images) (940,038)</i>
3.40	Additional Immersive Still Business Assets
3.41	www.ipixstore.com – URL only
3.42	Host@ IPIX hosting service and Host@IPIX Customer Database
3.43	Interactive Studio™ Software including the trademarks INTERACTIVE STUDIO (78/309,042) and Interactive Studio (2,920,233)
3.44	Assignment of IPIX's license agreement with REALVIZ™
3.45	All owned historical database pictures
3.50	IPIX Customer Lists (approximately 10,000 customers)
3.60	Finished and Refurbished Equipment and Accessories - Still Business
3.70	Defense GRID Mapping Software

	<u>Asset Category #3 - 360° Digital Immersive Video</u>
4.00	IPIX Marketing Materials
4.10	<b>Patents and Pending Patents that may support the 360° Immersive Video Business</b>
	<b>Patents in <i>Italics</i> are in Section 3.0 and Section 4.0 since they have video <u>and</u> stills business applications</b>
4.11	<i>Apparatus, Media and Method for Capturing and Processing Spherical Images (EP99918469.0)</i>
4.12	Immersive Surveillance System Interface (10/949,885)
4.13	Immersive Video Presentation (10/899,335)
4.14	Immersive Video with Object Locator (10/899,335)
4.15	<i>Method and Apparatus for Creating Spherical Images (EP05013420.4)</i>
4.15	<i>Method and Apparatus for Creating Spherical Images (97/01241)</i>
4.15	<i>Method and Apparatus For Creating Spherical Images (3,290,993)</i>
4.16	Method and Apparatus for Immersive Surveillance (60/599,346)
4.17	<i>Method and Apparatus for Inserting a High Resolution Image Into a Low Resolution Interactive Image to Produce a Realistic Immersive Experience (6,147,709)</i>
4.17	<i>Method and Apparatus for Inserting a High Resolution Image Into a Low Resolution Interactive Image to Produce a Realistic Immersive Experience (98/46014)</i>
4.17	<i>Method and Apparatus for Inserting a High Resolution Image Into a Low Resolution Interactive Image to Produce a Realistic Immersive Experience (739,459)</i>
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4.18	<i>Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images (56,273)</i>
4.18	<i>Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images (6,256,061 B1)</i>

4.19	<i>Method and Apparatus for Providing Virtual Processing Effects for Wide-Angle Video Images (10,898,865)</i>
4.19	<i>Method and Apparatus for Providing Virtual Processing Effects for Wide-Angle Video Images (6,778,211 B1)</i>
4.19	<i>Method and Apparatus for Providing Virtual Processing Effects for Wide-Angle Video Images (WO 00/60853 A1) (60/128,613)</i>
4.19	<i>Method and Apparatus for Providing Virtual Processing Effects for Wide-Angle Video Images (WO 00/60869 A1) (60,128,613)</i>
4.20	<i>Method and Apparatus for Simultaneous Capture of a Spherical Image (6,002,430)</i>
4.21	<i>Method and Apparatus for the Interactive Display of any Portion of a Spherical Image (5,990,941)</i>
4.21	<i>Method and Apparatus for the Interactive Display of any Portion of a Spherical Image - (6,795,113 B1)</i>
4.22	<i>Method and System for Creation and Interactive Viewing of Totally Immersive Stereoscopic Images (6,301,447 B1)</i>
4.22	<i>Method and System for the Creation and Interactive Viewing of Totally Immersive Stereoscopic Images (60/061,342) (EP98953342.7)</i>
4.22	<i>Method for Creation and Interactive Viewing of Totally Immersive Stereoscopic Images (72,264)</i>
4.23	<i>Motionless Camera Orientation System Distortion Correcting Sensing Element - (6,201,574 B1)</i>
4.24	<i>Ominview Motionless Camera Surveillance System (EP0610863 B1)</i>
4.24	<i>Omniview Motionless Camera Orientation System (Re. 36,207)</i>
4.24	<i>Omniview Motionless Camera Orientation System (5,185,667)</i>
4.24	<i>Omniview Motionless Camera Orientation System (08/887,319)</i>
4.24	<i>Omniview Motionless Camera Orientation System (WIPO)</i>
4.24	<i>Omniview Motionless Camera Orientation System (formerly "Method and Apparatus for Simultaneous Capture of a Spherical Image") (09/315,962)</i>
4.24	<i>Omniview Motionless Camera Surveillance System (5,359,363)</i>
4.24	<i>Omniview Motionless Camera Surveillance System (EP0971540 B1)</i>
4.24	<i>Omniview Motionless Camera Surveillance System (3,051,173)</i>
4.25	<i>Seamless Multi-Camera Panoramic Imaging With Distortion Correction and Selectable Field of View (5,657,073)</i>
4.26	<i>Simultaneous Display of Multiple Views in Wide Angle Video (See Certificate of Correction) - aka System for Omnidirectional Image Viewing at a Remote Location without the Transmission of Control Signals to Select Viewing Parameters - US (6,603,502 B2)</i>

4.27	Surveillance System and Method (10/949,031)
4.27	Surveillance System and Method (PCT/US05/27080)
4.27	Surveillance System and Method (WO 2006/017402 A2) (60/599,346)
4.27	System and Method for Correlating Camera View (10/949,701)
4.28	<i>System for Omnidirectional Image Viewing at a Remote Location Without the Transmission of Control (5,877,801)</i>
4.28	<i>System For Omnidirectional Image Viewing at a Remote Location Without the Transmission of Control Signals To Select Viewing Parameters (5,384,588)</i>
4.29	<i>Velocity-Dependant Dewarping of Images (6,687,387 B1)</i>
4.30	<i>Video Viewing Experiences Using Still Images (97/31482)</i>
4.30	<i>Video Viewing Experiences Using Still Images (title known as US Patent: Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images) (EP0940038 B1)</i>
4.30	<i>Video Viewing Experiences Using Still Images (title known as US Patent: Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images) (723,085)</i>
4.30	<i>Video Viewing Experiences Using Still Images (title known as US Patent: Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images) (940,038)</i>
4.30	<i>Video Viewing Experiences Using Still Images (title known as US Patent: Method and Apparatus for Providing Perceived Video Viewing Experiences Using Still Images) (940,038)</i>
4.40	Trademarks supporting the 360° Immersive Video Business
4.40	COMMAND VIEW (76-580368)
4.40	COMMAND VIEW (4,017,331)
4.40	IPIX INSIGHT (76-580367)
4.40	OMNIVIEW (721723)
4.50	Finished and Refurbished Equipment and Accessories - Video Business
4.55	Demo Kits
4.60	<i>Video Dewarping Software (This code takes fish-eye images and removes the distortion)</i>
4.65	Software Developers Kit (SDK) - Allows DVR partners to dewarp IPIX video.
4.70	IVM Software - Records IPIX Video onto a PC.
4.75	Proprietary Lens Design and Lens Inventory - TUSS

5.00	<u>Asset Category #4 - Gigapixel Camera</u>
5.10	Patents, Provisional Patent, and Pending Patent(s) supporting the Gigapixel Camera Technology
5.10	Multi-Lens Array System and Method (60/772,670)
5.10	Multi-Lens Array System and Method (11/465,745)
5.20	Patentability Search.
5.30	Gigapixel Camera Software
5.40	Wide Spatial Field Optical Lens Array System and Method
6.00	<u>Asset Category #5 - Encoder</u>
6.10	Software supporting the Encoder product
7.00	<u>Asset Category #6 - Non-Product Equipment Assets</u>
7.10	Furniture, Fixtures, and Equipment located in Reston, VA and Herndon, VA
8.00	<u>Asset Category #7 - Additional Patent's</u>
8.10	Method and Apparatus for Hosting a Network Camera (f.k.a. "Method and Apparatus for Hosting a Network Camera Using Multiple Paths") - 7,024,488 B1
8.11	Method and Apparatus for Hosting a Network Camera Including a Heartbeat Mechanism (7,076,085 B1)
8.12	Method and Apparatus for Hosting a Network Camera With Image Degradation (09/834,856)
8.13	Method and Apparatus for Hosting a Network Camera With Image Selection (09/834,599)
8.14	Method and Apparatus for Hosting a Network Camera with Refresh Degradation - 7,015,949 B1
8.15	Method for Directly Scanning a Rectilinear Imaging Element Using a Non-Linear Scan - (6,243,131 B1)
8.16	Method for Eliminating Temporal and Spacial Distortion From Interlaced Video Signals (5,903,319)
8.17	Omniview Motionless Camera Endoscopy System (5,313,306)
8.18	Remote Controlled Platform for Camera (WO 00/60870 A1) (60/128,613)
8.19	Virtual Theater (WO 00/60857) (60/128,613)
8.20	Wide-Angle Video Conference System and Method (10/621,066)

9.00	<u>Asset Category #8 - Additional Trademarks</u>
9.10	List the remain trademarks
9.11	BAMBOO (2,481,317)
9.11	BAMBOO.COM (2,481,316)
9.11	BAMBOO.COM & Design (2,489,901)
9.12	REALIZING THE IMAGINABLE (1,525,374)
9.13	RIMFIRE (2,465,034)
9.14	STEP INSIDE THE PICTURE (2,615,718)
9.14	STEP INSIDE THE PICTURE (202181)
9.15	THE EYES OF THE INTERNET (1386937)
9.15	THE EYES OF THE INTERNET (202180)
9.15	THE EYES OF THE INTERNET (489960)
9.16	V360 (1385673)
9.16	V360 (203379)
9.16	V360 (489957)
9.17	VIDEO 360 (1385665)
9.17	VIDEO 360 (489958)
9.18	VIP TV (Suspended) (75-735652)
10.00	<u>Disclosure of Pending Litigation</u>
10.10	Grandeye Litigation (Disclosure Only)
10.20	Ford Oxaal Litigation (Disclosure Only)
10.30	IBAK (Disclosure Only)
11.00	<u>Patent and Trademark Assignments, Releases and Supplemental Information</u>
11.10	Assignment and Release between PW Technology, Image Investor Portfolio, and Internet Pictures Corporation
11.20	Assignments
11.30	Change in Name Applications
11.40	Family List
11.50	Title Searches
11.60	Title Searches - Pending Patents

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF VIRGINIA  
Alexandria Division**

In re:

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\*  
\*  
\*  
\*

**IPIX CORPORATION,**

**Case No. 06-10856-RGM**

Chapter 7

Debtor.

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**BIDDING PROCEDURES**

DONALD F. KING, TRUSTEE (the "Trustee") hereby sets forth the sale and bidding procedures (the "Bidding Procedures") to be used in connection with the sale (the "Sale") of all or any portion of the tangible and intangible business assets (the "Assets") of IPIX CORPORATION (the "Debtor"). As provided in detail below it is the Trustee's intent to subject the Assets to competitive bidding pursuant to the procedures described in this document.

1. Bankruptcy Court Approval. These Bidding Procedures have been approved by the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division (the "Bankruptcy Court"). Consummation of the Sale contemplated herein shall be contingent upon, and made pursuant to, the approval of the Bankruptcy Court in a Final Approval Order (as hereafter defined). The Sale shall be presented to the Bankruptcy Court for its approval pursuant to an appropriate motion made under 11 U.S.C. §§363 and 365 and shall be made pursuant to the terms and conditions set forth in the Asset Purchase Agreement (the "APA") between the Trustee and the Successful Bidder (as defined below), consistent with the Bidding Procedures.

2. Identification of Potential Bidders. A copy of these Bidding Procedures has been sent to all creditors and parties in interest in this case, and to all persons identified by the sales agent, Tranzon Fox (the "Sales Agent"), as potentially having an interest in acquiring the Assets. Any other person interested in bidding for the Assets may obtain a copy of these Bidding Procedures by requesting such information from Stephen Karbelk, TRANZON FOX, 121 Pennsylvania Avenue, Virginia Beach, Virginia 23462, Telephone No. (757) 473-3000, Toll Free (800) 868-0458, Fax No. (757) 473-9787, or by contacting Trustee's counsel, James W. Reynolds, [jim.reynolds@ofplaw.com](mailto:jim.reynolds@ofplaw.com), or the Trustee's paralegal, Rita C. Daley, [rita.daley@ofplaw.com](mailto:rita.daley@ofplaw.com), of Odin, Feldman & Pittleman, P.C., Telephone No. (703) 218-2163; Fax No. (703) 218-2160, who shall forward the inquiry to the Sales Agent.

3. Due Diligence and Confidentiality. Upon a request in writing or by email from a potential bidder to the Sales Agent **and** upon receipt by the Sales Agent of (i) an executed Confidentiality Agreement (the "CA") in the form attached hereto as Exhibit A, the Sales Agent will provide to such bidder copies or email transmissions, as appropriate, of the Asset Information Package ("AIP"). The CA is available to be

downloaded at [www.tranzon.com](http://www.tranzon.com). The CA may also be requested by phone at 800-868-0458 or by fax at (757) 473-9787 or by email at [bfox@tranzon.com](mailto:bfox@tranzon.com). Before a potential bidder will be provided with the AIP, the potential bidder must (i) complete and sign the CA, (ii) provide all requested contact information and (iii) send it to the Sales Agent either by fax at (757) 473-9787 or email in PDF format to [bfox@tranzon.com](mailto:bfox@tranzon.com).

Upon the Sales Agent's receipt of a written request in compliance with the above terms, the Sales Agent shall send the potential bidder the AIP via 2-3 day Priority Mail or by Global Priority Mail. The AIP will only be provided on a compact disc. Due to the volume of material no hard copies of the AIP will be available. If a potential bidder wants to receive the AIP by overnight mail, the potential bidder must provide the Sales Agent with its UPS or Federal Express account number. Under such circumstances the Sales Agent will send the AIP by overnight mail with the costs of such mailing being made against the potential bidder's account. The Sales Agent will provide a potential bidder with up to three (3) copies of the AIP assuming the potential bidder requests more than one (1) copy. If additional information becomes available prior to the Bid Deadline (defined below) the Sales Agent, at the Trustee's direction and in the sole discretion of the Trustee, shall distribute the additional information to those potential bidders who have requested an AIP and who have complied with the procedures described above.

The Sales Agent has set aside three (3) days on which the Debtor's former headquarters will be accessible to potential bidders so they can examine the Debtor's tangible assets. The three (3) days are:

Friday, October 6, 2006, from 10:00 a.m. to 2:00 p.m.  
Tuesday, October 10, 2006, from 9:00 a.m. to 1:00 p.m.  
Monday, October 16, 2006, from 9:00 a.m. to 1:00 p.m.

The Debtor's former headquarters are located at 12120 Sunset Hills Road, 4<sup>th</sup> Floor, Reston, Virginia. If a potential bidder wants an onsite inspection, the potential bidder must make an appointment for one of the above three (3) dates. Appointment requests must be made at least 24 hours in advance. Appointments can be made by calling Stephen Karbelk at (703) 539-8622, sending a fax to (703) 539-8633 or an email to [skarbelk@tranzon.com](mailto:skarbelk@tranzon.com). A signed CA must be received by the Sales Agent before an appointment can be scheduled.

In addition to the tangible assets at the former headquarters, the Debtor has inventory at Aigis Mechtronics, LLC, 2390 Farington Point Drive, Winston-Salem, North Carolina. Potential bidders may inspect the inventory on the following days:

Wednesday, October 11, 2006, from 9:00 a.m. to 3:00 p.m.  
Thursday, October 12, 2006, from 9:00 a.m. to 3:00 p.m.

Appointment requests must be made at least 24 hours in advance. Appointments can be made by calling Stephen Karbelk at (703) 539-8622, sending a fax to (703) 539-8633 or an email to [skarbelk@tranzon.com](mailto:skarbelk@tranzon.com).

**The Trustee and/or the Sales Agent reserve the right to modify the inspection dates and times.**

4. Qualified Bidders. No bid for the Assets will be considered unless prior to or in conjunction with making such bid, and in all events on or before the Bid Deadline (defined below), the bidder (who after complying with the requirements of this paragraph will be a “Qualified Bidder”) delivers all of the following items to the Sales Agent:

- a. An executed CA in the form attached as Exhibit A hereto; and
- b. Evidence reasonably satisfactory to the Sales Agent (in consultation with the Trustee) that the potential bidder is reasonably likely to be able to consummate the purchase of the Assets. Any documentation that is private or confidential should be boldly marked as such, and the documentation will not be divulged by the Trustee; however, the Trustee will refer to such documentation in determining the highest and best bid; and
- c. A Qualified Bid (defined below).

5. Qualified Bids. In order to constitute a Qualified Bid, a bid must:

- a. Be submitted on the Bid Matrix attached as Exhibit B and provided in the AIP; and
- b. Include a signed APA as provided in the AIP. A potential bidder may make modifications to the APA, however, if any modifications are made, the bid must include a clean copy of the signed APA as well as a red-lined copy of the APA and any changes are subject to acceptance by the Trustee; and
- c. Include a cashier’s check (or other acceptable funds) made payable to Donald F. King, Trustee in an amount that is equal to 10% of the bidder’s total bid (the “Deposit”). If the bidder submits more than one (1) bid, the Deposit shall be 10% of the larger or largest total bid; and
- d. Provide the bidder’s name, address, phone number, fax number and email address (if available); and
- e. Include a proposed licensing agreement if the bidder intends to submit a bid with a licensing component; and
- f. Not include any conditions to closing, other than those set forth in the APA, and shall not be contingent upon financing, completing due diligence beyond the Bid Deadline, or any other contingencies except those included in the APA; and

g. Be accompanied by a letter affirmatively stating that the bidder offers to purchase some or all of the Assets upon the terms and conditions set forth in the APA and further providing that such bid shall be irrevocable until the earlier of: (i) the closing on the Sale of the Assets to the Successful Bidder (defined below); and (ii) the date on which the Bankruptcy Court enters a Final Approval Order approving one or more bidders as the Successful Bidder(s) and Back Up Bidder(s) (defined below), respectively; and

h. Be delivered under seal on or before the Bid Deadline (defined below) to Odin, Feldman & Pittleman, P.C., Attn: IPIX Bankruptcy Sale, 9302 Lee Highway, Suite 1100, Fairfax, Virginia 22031. The Trustee reserves the exclusive right to accept a bid that is submitted after the Bid Deadline (defined below).

The Trustee will consider bids that contain licensing or co-ownership arrangements between bidders.

6. Bid Deadline. The Bid Deadline is Monday, October 23, 2006, at 4:00 p.m. Eastern Standard Time.

7. Stalking Horse Bidder. The Trustee shall review the Qualified Bids and select the bid or bids that the Trustee considers the highest and best offer or offers for the Assets. The Qualified Bidder(s) making the highest and best offer(s) for the Assets shall be deemed the Stalking Horse Bidder. The Trustee intends to select the Stalking Horse Bidder within five (5) business days of the Bid Deadline.

The determination of who becomes the Stalking Horse Bidder shall be in the Trustee's sole discretion and primarily will be based upon the following considerations: (a) the total bid amount, (b) the Qualified Bidder's financial qualifications, (c) the form and content of the Qualified Bid and (d) the best interests of the bankruptcy estate.

If the Stalking Horse Bidder is not the Successful Bidder(s) (defined below) the Stalking Horse Bidder shall receive a fee equal to two percent (2%) of the Bid, plus reimbursement of actual expenses not to exceed \$25,000.00 (the "Stalking Horse Fee"). The final payment of the Stalking Horse Fee shall be subject to review and approval by the Bankruptcy Court. The Bankruptcy Court may require documentation outlining the fees and expenses incurred by the Stalking Horse Bidder in order to determine the appropriate amount of the Stalking Horse Fee.

8. Bankruptcy Court Approval. The Trustee by motion will submit the bid of the Stalking Horse Bidder to the Bankruptcy Court for approval. A hearing on the motion for approval (the "Approval Hearing") shall be held and the Trustee shall give at least twenty (20) days notice of the Approval Hearing. Interested parties may submit bids at the Approval Hearing for consideration by the Bankruptcy Court, and the Bankruptcy Court may decide to hold an auction (the "Auction") at the Approval Hearing.

Any corporate entity intending to submit a bid at the Approval Hearing must be represented by an attorney. If the Bankruptcy Court decides to conduct an Auction any competing bid made at the Auction must exceed the bid by the Stalking Horse Bidder **and** the amount of the Stalking Horse Fee (e.g., two percent (2%) of the Stalking Horse Bidder's bid plus the Stalking Horse Bidder's actual expenses not to exceed \$25,000.00).

9. Successful Bidder(s). At the completion of the Approval Hearing and the Auction, if necessary, the Bankruptcy Court shall determine the highest and best bid(s) (the "Successful Bid(s)") for some or all of the Assets. The holder or holders of the Successful Bid(s) shall be the Successful Bidder(s). The Successful Bidder(s) shall close on the Sale within two (2) business days after the expiration of the period for appealing the order (the "Final Approval Order") approving the Sale to the Successful Bidder(s) unless the Final Approval Order or the Sale has been stayed or enjoined by a court of competent jurisdiction.

10. Back Up Bidder(s). At the completion of the Approval Hearing and the Auction, if necessary, the Trustee may ask the Court to determine the second highest bid(s) (the "Back Up Bid(s)") for some or all of the Assets. The holder or holders of the Back Up Bid(s) shall be the Back Up Bidder(s). In the event that the Successful Bidder(s) fails to timely close as provided in Section 9 above, the Back Up Bidder(s) shall be deemed automatically approved, without further Court order, as the purchaser of those Assets on which the Back Up Bidder(s) made a bid. If the Successful Bidder(s) fails to timely close as provided in Section 9 above, the Back-Up Bidder(s) shall close on the Sale at the approved amount of the Back Up Bid(s) within three (3) business days after being advised by the Sales Agent in writing of the Successful Bidder(s)'s failure to close.

11. Return or Forfeit of Deposit. The Deposit of a bidder shall be promptly returned to such bidder if: (i) prior to making a bid, such bidder advises the Sales Agent in writing that it will not make any bid to purchase the Assets, (ii) such bidder is determined not to be a Qualified Bidder or (iii) such bidder is a Qualified Bidder (who has not otherwise forfeited its Deposit but is not the Successful Bidder(s) or the Back Up Bidder(s)). The Back Up Bidder(s) shall not be entitled to its Deposit until the Successful Bidder(s) has closed on the Sale.

A bidder shall forfeit its Deposit if (i) such bidder withdraws or modifies its bid other than as provided herein before the Bankruptcy Court selects the Successful Bidder(s) or (ii) such bidder is the Successful Bidder(s) or Back-Up Bidder(s) and (A) modifies or withdraws its bid without the Court's approval before the closing of the Sale; (B) breaches or defaults under the APA; or (C) fails or refuses to close on the Sale within the deadlines set by these Bidding Procedures.

12. Amendment of Bidding Procedures. The Trustee reserves the exclusive right to extend the Bid Deadline and/or to amend the Bidding Procedures. The Trustee will disclose any material amendment of the Bidding Procedures to the Bankruptcy Court at the time any Qualified Bids are submitted to the Bankruptcy Court for approval.

#724198v1 jwrpl-ipix bidding procedures 31070/01080

## **CONFIDENTIALITY AGREEMENT**

This Confidentiality Agreement (“Agreement”) is made and entered into on the \_\_ day of \_\_\_\_\_, 2006, by \_\_\_\_\_ (“**Prospective Purchaser**”), whose address is \_\_\_\_\_, for the benefit of Donald F. King, Chapter 7 Trustee for the bankruptcy estate of IPIX Corporation.

### **RECITALS:**

**R-1.** IPIX Corporation (“the Debtor”) voluntarily commenced a chapter 7 case (the “Case”) in the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division (the “Court”). Donald F. King (“Trustee”) is the chapter 7 trustee appointed for the Debtor’s bankruptcy estate (the “Estate”).

**R-2.** The Prospective Purchaser wishes to received and review certain confidential information concerning the Debtor and its Estate so that it may investigate, evaluate and consider a possible acquisition of the assets of the Debtor (the “Possible Transaction”). In that regard, Prospective Purchaser wishes to assure the Trustee that such information will not be misused and will be adequately protected.

**R-3.** In order to facilitate the evaluation and discussions, the Prospective Purchaser wishes to enter into this Agreement to protect the Trustee and the Estate with respect to the disclosure ro commercial use of confidential, proprietary information.

**NOW, THEREFORE**, in consideration of the above premises and of the benefits to be obtained by the observance of the mutual covenants contained herein, and for other good, valuable and legal consideration, the receipt and sufficiency of which are hereby acknowledged, the Prospective Purchaser, intending to be legally bound, agrees as follows:

1. **Evaluation Material.**

(a) The term “Evaluation Material” means all information and documents, whether in oral, written or other recorded form (including but not limited to computer disks and other electronic media), which the Trustee, or any agent, attorney, or accountant of the Trustee (for purposes of this Agreement, such agents, attorneys, and accountants are included within the definition of Trustee), or which the Debtor, or any present or former officer, director, employee, or other agent of the Debtor (for purposes of this Agreement, such officers, directors, employees, and other agents are included within the definition of Debtor) furnishes or otherwise discloses to the Prospective Purchaser, including financial, strategic, marketing, technical and product or service information, customer lists, vendor lists, price lists, cost data, resumes, formulae, technical data, methodologies, processes, techniques, sales data, marketing plans, identity of actual or prospective suppliers and customers, customer usage and/or requirements, patents, copyrights, trademarks, licenses, or other information of similar character, together with all analyses, compilations, studies, documents, records or other data prepared by the Prospective Purchaser which contain or otherwise reflect, or are generated from such information and documents. Furthermore, the Prospective Purchaser specifically agrees that any and all discussions held between the Prospective Purchaser and the Trustee regarding the fact or possible terms of the Possible Transaction will be included within the definition of Evaluation Material and not be divulged to any third parties nor otherwise

used to the benefit of the Prospective Purchaser without the express written permission of the Trustee.

(b) The term “Evaluation Material” does not include any information which (i) at the time of disclosure is generally available to and known by the public (other than as a result of disclosure directly or indirectly by the Prospective Purchaser), (ii) was available to the Prospective Purchaser on a non-confidential basis from a source other than the Trustee or the Debtor, provided that such source was or is not bound by any type of confidentiality agreement with the Trustee and did not become known to the Prospective Purchaser through or as a result of access to any information related to the Possible Transaction, or (iii) has been independently developed by the Prospective Purchaser without violation of any of its obligations under this Agreement. Notwithstanding the foregoing, if the source of any information or documents is a present or former employee, attorney, accountant, agent, or person otherwise presently or formerly affiliated with either the Trustee or the Debtor, then such information or documents shall always be considered Evaluation Material protected by the terms hereof.

2. **Use of Evaluation Material.** The Evaluation Material will be used by the Prospective Purchaser **solely** for the purpose of evaluating the Possible Transaction, and not in any way directly or indirectly detrimental to the Trustee or the Estate. Unless and until the Prospective Purchaser has completed the purchase of the assets of the Debtor pursuant to a definitive agreement of purchase and sale that has been approved by the Bankruptcy Court (the “Definitive Sale Agreement”), all of the Evaluation Material will be kept strictly confidential by the Prospective Purchaser, except that the Prospective Purchaser may disclose the Evaluation Material or portions thereof to those of its directors, officers, employees and agents (collectively called “Representatives”) who need to know such information solely for the purpose of evaluating the Possible Transaction, it being understood that before disclosing any of the Evaluation Material to any of such Representatives, the Prospective Purchaser will (i) inform them of the confidential nature of the Evaluation Material, (ii) obtain their agreement in writing to be bound by this Agreement and not to disclose to any other person or improperly use any of the Evaluation Material, and (iii) provide to the Trustee a copy of such Representative’s agreement. The term “person” as used in this Agreement will be interpreted broadly to include, without limitation, any corporation, company, partnership, limited liability company, individual or other entity. The Prospective Purchaser agrees to be responsible for any breach of this Agreement by any Representative. The Prospective Purchaser further agrees not to make any commercial use of the Evaluation Material in the conduct of any trade, business, or employment, nor otherwise to use such Evaluation Material to its benefit to the exclusion of and without the express written consent of the Trustee.

3. **Return of Evaluation Material.** If the Prospective Purchaser does not consummate the Possible Transaction, or if the Trustee so requests at any time and for any reason, then the Prospective Purchaser will as soon as practicable, but not later than ten (10) business days after such request, return to the Trustee all Evaluation Material, whether or not then in the Prospective Purchaser’s possession or in the possession of any of its Representatives, and any copies, summaries or analyses thereof, or notes or extracts therefrom, without retaining any copy thereof. Unless otherwise expressly agreed upon in writing by the Trustee, all Evaluation Material and any copies thereof will be and remain the property of the Trustee, and only will be used for the purposes intended in this Agreement.

4. **Non-solicitation.** Until the earliest of (i) the execution by the Prospective Purchaser of a Definitive Sale Agreement, or (ii) three years after the date of this Agreement, the Prospective Purchaser agrees not to initiate or maintain any contact (except for those contacts made in the ordinary course of business) with any present or former officer, director, employee, or agent of the Debtor regarding their business, assets, operations, prospects or finances, except with the express permission of the Trustee. It is further understood that all (i) communications regarding the Possible Transaction, (ii) requests for additional information, (iii) requests for facility tours or management meetings, and (iv) discussions or questions regarding procedures will be submitted or directed only to either the Trustee or Mr. Stephen Karbelk, of the firm of Tranzon Fox, the Trustee's designated sales agent. Prospective Purchaser further agrees that for a period of three years after the date of this Agreement, it will not, directly or indirectly, solicit to hire, employ or agree to hire, or otherwise retain the services of any present or former employees or agents of the Debtor, unless Prospective Purchaser actually consummates the Possible Transaction.

5. **No Representations.** The Prospective Purchaser understands and acknowledges that the Trustee is not making any representation, covenant or warranty as to the accuracy or completeness of any Evaluation Material and the Trustee will not have any liability to the Prospective Purchaser, resulting from the use of or reliance upon the Evaluation Material by such Prospective Purchaser or its Representatives. Only those representations or warranties which may be made to a the Prospective Purchaser in a Definitive Sale Agreement, when, as and if it is executed, and subject to such limitations and restrictions as may be specified in such Definitive Sale Agreement, will have any legal effect.

6. **No Sale Yet.** The Prospective Purchaser agrees and understands that there is no contract or agreement providing for sale of the Debtor's assets and that no contract or agreement providing for the sale of the Debtor's assets will be deemed to exist unless and until a Definitive Sale Agreement has actually been executed and delivered. For purposes of this Agreement, the term "Definitive Sale Agreement" does not include any bid, executed Letter of Intent, or any other preliminary written agreement. The Prospective Purchaser further understands that the Trustee will be free to administer the bankruptcy estate, conduct such business of the Debtor as may be approved by the Court, and continue the process of a possible sale of the Debtor's assets as the Trustee in his sole discretion may determine (including without limitation by failing to negotiate with the Prospective Purchaser and/or by negotiating with any other prospective buyer and entering into a definitive sale agreement with them without prior notice to the Prospective Purchaser or any other person).

7. **No Brokers.** The Prospective Purchaser acknowledges and confirms that it is acting solely on its own behalf as a principal, and that it is not acting as an agent or broker for any other person. The Prospective Purchaser further acknowledges and confirms that it has not engaged an agent or broker with regard to the Possible Transaction. The Prospective Purchaser acknowledges and confirms that the Trustee will not have any liability whatsoever for any compensation to the Prospective Purchaser nor to any of its Representatives in connection with the matters contemplated hereby, except as may be expressly provided in the Definitive Sale Agreement.

8. **Remedies.** The Prospective Purchaser agrees that money damages would not be a sufficient remedy for any breach of this Agreement, and that the Trustee will be entitled to equitable relief, including injunction and specific performance, in the event of any breach of the provisions of

this Agreement, in addition to all other remedies available to the Trustee at law or in equity. The Trustee will not be required to post any form of bond in any proceeding which seeks injunctive relief, notwithstanding any applicable statutory provisions to the contrary.

9. **Miscellaneous**. This Agreement constitutes the final, entire and exclusive agreement regarding this Agreement's subject matter, and no representations, inducements or agreements, oral or otherwise, not contained in this Agreement will have any force or effect. The language used in this Agreement will be deemed to be the language chosen by the Prospective Purchaser to express its intent, and no rule of strict construction will be applied against the Trustee. While the Prospective Purchaser intends and expects that all provisions of this Agreement are enforceable and valid, to the extent any provision hereof is deemed unenforceable, all other provisions will continue to be fully enforceable as if the unenforceable or invalid provisions were absent. This Agreement will be interpreted in accordance with the internal laws of the Commonwealth of Virginia. The Prospective Purchaser agrees to jurisdiction in the Commonwealth of Virginia and that the proper venue for any dispute will be the United States Bankruptcy Court or the United States District Court for the Eastern District of Virginia, Alexandria Division, and in the event that there is no other manner of service hereby appoints the Secretary of the Commonwealth of Virginia as its agent for process. If the Trustee substantially prevails in any judicial proceeding against the Prospective Purchaser to enforce this Agreement, the Trustee will be awarded his costs and expenses, including reasonable attorneys' fees. Time is of the essence hereunder.

IN WITNESS WHEREOF, the Prospective Purchaser has signed and sealed this Agreement as of the day and year first above written.

\_\_\_\_\_  
(Prospective Purchaser)

By: \_\_\_\_\_ (SEAL)  
\_\_\_\_\_, Its \_\_\_\_\_