

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
deCODE genetics, Inc.¹)
) Case No. 09-14063 (PJW)
)
Debtor.)
) Re: Docket No. 28

ORDER (I) APPROVING BIDDING PROCEDURES FOR THE SALE OF CERTAIN ASSETS OF THE DEBTOR FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES PURSUANT TO SECTION 363 OF THE BANKRUPTCY CODE, (II) APPROVING CERTAIN BIDDING PROTECTIONS, (III) APPROVING THE FORM AND MANNER OF NOTICE OF THE SALE AND ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES (IV) SCHEDULING AN AUCTION AND SALE HEARING

This matter coming before the Court on the motion (the "Motion")² of the above-captioned debtor and debtor in possession (the "Debtor") seeking, pursuant to sections 105, 363, 365 and 503 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"), and Rules 2002, 6004, 9007 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), entry of: (i) an order (a) approving proposed bidding procedures (the "Bidding Procedures"), as well as the proposed expense reimbursement, in connection with the sale (the "Sale") of certain of the Debtor's assets (the "Purchased Assets") as more fully described in the Asset Purchase Agreement (the "Stalking Horse Agreement") by and among the Debtor (the "Seller"), and Saga Investments LLC (the "Stalking Horse Bidder"); (b) scheduling an auction (the "Auction") and a hearing to consider approval of the Sale (the "Sale Hearing"); and (c) approving the form and manner of notice of the Auction, including the form and manner of service of the notice (the "Auction Notice") attached hereto as Exhibit 2 and the notice of the

¹ The debtor in this case, along with the last four digits of the federal tax identification number for the debtor, is deCODE genetics, Inc. (6704).

² Capitalized terms used but not defined herein shall have the meanings ascribed such terms in the Motion.

proposed assumption and assignment of executory contracts and unexpired leases in the form attached hereto as Exhibit 3 (the "Assumption and Assignment Notice"); and (ii) an order approving the sale of the Purchased Assets free and clear of all liens, claims and encumbrances to the Stalking Horse Bidder or such other party that is the successful bidder at the Auction; the Court having reviewed the Motion and conducted a hearing to consider the relief requested therein (the "Bidding Procedures Hearing"); and the Court having considered the statements of counsel and the evidence presented at the Bidding Procedures Hearing;

IT IS HEREBY FOUND AND DETERMINED THAT:

A. The Debtor has articulated good and sufficient reasons for, and the best interests of its estate will be served by, this Court granting the relief requested in the Motion, including approval of (i) the Bidding Procedures, attached hereto as Exhibit 1, (ii) the Bid Protections on the terms set forth in this Order, and (iii) the form and manner of notice of the Auction Notice and the Assumption and Assignment Notice described in the Motion and attached hereto, respectively, as Exhibit 2 and Exhibit 3.

B. The proposed notice of the sale of the Purchased Assets and the Bidding Procedures, as set forth in the Motion, is good, appropriate, adequate and sufficient, and is reasonably calculated to provide all interested parties with timely and proper notice of the Sale and the Bidding Procedures, and no other or further notice is required for the sale of the Purchased Assets to the Successful Bidder and the assumption and assignment of any executory contracts and unexpired leases contemplated in the Successful Bid, or the Bidding Procedures, as set forth herein and in the Motion.

C. The Debtor has articulated good and sufficient reasons for, and the best interests of its estate will be served by, this Court scheduling an Auction and considering

approval of the Sale and the transfer of the Purchased Assets to the Successful Bidder free and clear of all liens, claims, interests and encumbrances pursuant to section 363 of the Bankruptcy Code.

D. The Expense Reimbursement and Break-Up Fee to be paid to the Stalking Horse Bidder, under the circumstances described herein and in the Stalking Horse Agreement, is: (i) an actual and necessary cost and expense of preserving the Debtor's estate, within the meaning of section 503(b) of the Bankruptcy Code; (ii) commensurate to the real and substantial benefits conferred upon the Debtor's estate by the Stalking Horse Bidder; (iii) reasonable and appropriate in light of the size and nature of the proposed Sale and comparable transactions; and (iv) necessary to induce the Stalking Horse Bidder to continue to pursue the Sale.

E. Moreover, the Bid Protections are an essential inducement and condition relating to the Stalking Horse Bidder's entry into, and continuing obligations under, the Stalking Horse Agreement. The Bid Protections induced the Stalking Horse Bidder to submit a bid that will serve as a minimum or floor bid on which the Debtor, its creditors and other bidders can rely. The Stalking Horse Bidder has provided a material benefit to the Debtor and its creditors by increasing the likelihood that the best possible price for the Purchased Assets will be received. Accordingly, the Bid Protections are reasonable and appropriate and represent the best method for maximizing value for the benefit of the Debtor's estate.

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED to the extent provided herein.
2. The Bidding Procedures are hereby approved, are incorporated herein by reference, and shall govern all bids and bid proceedings relating to the Purchased Assets. The

Debtor is authorized to take any and all actions necessary or appropriate to implement the Bidding Procedures.

3. The deadline for submitting a Qualified Bid (as such term is defined in the Bidding Procedures) shall be January 11, 2010 at 4:00 p.m. (prevailing Eastern Time) (the "Bid Deadline").

4. To the extent at least one Qualified Bid, other than the Stalking Horse Bidder's bid, is timely received, the Debtor shall conduct the Auction on January 12, 2010 at 10:00 a.m. (prevailing Eastern Time) at the offices of Debtor's proposed counsel, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801. Only the Stalking Horse Bidder and any other Qualified Bidder will be permitted to participate in the Auction. The Auction will be transcribed or videotaped.

5. The Stalking Horse Agreement is a Qualified Bid, and the Stalking Horse Bidder is a Qualified Bidder, for all purposes and requirements pursuant to the Bidding Procedures, notwithstanding the requirements that Potential Bidders must satisfy to be a Qualified Bidder. For the avoidance of doubt, the Stalking Horse Bidder is authorized to credit the outstanding amount of the Bridge Loan and the DIP Loan against the Purchase Price of the Purchased Assets.

6. If the Debtor does not receive any Qualified Bids other than the Stalking Horse Agreement, the Debtor will not hold an auction, the Stalking Horse Agreement will be the Successful Bid and the Stalking Horse Bidder will be named the Successful Bidder.

7. All bidders submitting a Qualified Bid are deemed to have submitted to the exclusive jurisdiction of this Court with respect to all matters related to the Auction and the terms and conditions of the transfer of the Purchased Assets.

8. The Court will consider approval of the Sale to the Successful Bidder at the Sale Hearing on January 14, 2010 at 4:00 p.m. (prevailing Eastern Time).

9. Objections to approval of the Sale, including the sale of the Purchased Assets free and clear of Liens, Claims and Interests and objections to the assumption and assignment of any executory contract or unexpired lease identified on the Cure Schedule, including, but not limited to, objections relating to adequate assurance of future performance of the Stalking Horse Bidder, any anti-alienation provision or other restriction on assumption or assignment, or to the Cure Costs set forth on the Cure Schedule, must be in writing, state the basis of such objection with specificity and be filed with this Court and served so as to be received on or before January 7, 2010 (the "Objection Deadline"), by proposed counsel to the Debtor, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801 (Attn: Mark D. Collins, Esq., Christopher M. Samis, Esq.); counsel to the Successful Bidder and counsel to the Committee; provided, however, that in the event the Auction results in a Successful Bidder other than the Stalking Horse Bidder, the deadline for objecting to the assignment of the Assigned Contracts to such Successful Bidder on the basis of adequate assurance of future performance shall be the commencement of the Sale Hearing.

10. The Debtor is authorized to pay, without further order of the Court, to the Stalking Horse Bidder the Expense Reimbursement and Break-Up Fee³ in the event that such Expense Reimbursement and Break-Up Fee is payable under the terms of the Stalking Horse Agreement, on the terms set forth in the Stalking Horse Agreement. The Break-Up Fee and the Expense Reimbursement shall be paid as administrative expenses of the Debtor with priority

³ The Break-Up Fee is 3% of the Base Cash Price and the Expense Reimbursement is up to \$500,000, both as described in greater detail in the Bidding Procedures.

over any and all administrative expenses of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code and the Stalking Horse Bidder shall be entitled to a first priority priming lien on the proceeds of the Alternative Transaction until such Break-Up Fee and Expense Reimbursement are paid in full.

11. The Auction Notice and the Assumption and Assignment Notice, substantially in the form attached hereto as Exhibit 2 and Exhibit 3, respectively, are good and sufficient for all purposes. Within two (2) days of the entry of this Order, the Debtor will serve the Auction Notice on all parties provided with the notice of the Motion, all parties identified by the Debtor and PricewaterhouseCoopers as potentially interested purchasers and all parties on the Debtor's list of creditors. Additionally, the Debtor will publish the Auction Notice in one edition of The Wall Street Journal as soon as practicable after entry of this Order. The Debtor will, on or before December 31, 2009, serve the Assumption and Assignment Notice on all nondebtor parties to the executory contracts and unexpired leases potentially to be assumed and assigned in connection with the Sale. No other or further notice shall be required. No finding or ruling is made in this Order as to the adequacy of any proposed sale, it being intended that such approval will be sought at the Sale Hearing.

12. All bidders at the Auction shall be deemed to have consented to the core jurisdiction of this Court and waived any right to jury trial in connection with any disputes relating to the Auction, the sale of the Purchased Assets and the construction and enforcement of the Stalking Horse Agreement.

13. Each bidder participating at the Auction will be required to confirm that it has not engaged in any collusion with respect to the bidding or the Sale.

14. The Court shall retain jurisdiction over any matter or dispute arising from or relating to the implementation of this Order.

Dated: December 16, 2009
Wilmington, Delaware


UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Bidding Procedures

BIDDING PROCEDURES

Set forth below are the bidding procedures (the "Bidding Procedures") to be employed with respect to sale of certain assets (the "Purchased Assets") of deCODE genetics, Inc., a debtor and debtor in possession (the "Seller") in case number 09-14063 (PJW) pending in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Purchased Assets being acquired and the terms and conditions upon which the Seller contemplates consummating a sale are further described in the form of the Stalking Horse Agreement (the "Stalking Horse Agreement") between the Seller and Saga Investments LLC (the "Stalking Horse Bidder"). The sale of the Purchased Assets of the Seller (the "Sale") pursuant to the Stalking Horse Agreement is subject to competitive bidding as set forth herein and approval by the Bankruptcy Court pursuant to the applicable provisions of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"), and Rule 6004 of the Federal Rules of Bankruptcy Procedure.

I. The Sale Hearing

The Seller shall seek entry of an order from the Bankruptcy Court approving and authorizing the Sale to the Successful Bidder (as defined below) on terms and conditions consistent with the Stalking Horse Agreement (as modified solely to the extent accepted by the Seller, in consultation with the Committee (as defined below)) and in accordance with these Bidding Procedures.

II. Participation Requirements

Unless otherwise ordered by the Bankruptcy Court for cause shown, to participate in the Bidding Process (as defined below), each person or entity must deliver (unless previously delivered) to the Seller, on or before the Bid Deadline (as defined below), an executed confidentiality agreement in form and substance satisfactory to the Seller (the "Confidentiality Agreement"). Each person or entity that delivers the Confidentiality Agreement to the Seller on or before the Bid Deadline is hereinafter referred to as a "Potential Bidder."

After a Potential Bidder delivers the Confidentiality Agreement, the Seller shall deliver or make available (unless previously delivered or made available) to each Potential Bidder satisfying the criteria enumerated in the preceding paragraph certain designated information and financial data with respect to the Purchased Assets.

III. Determination by the Seller

The Seller, after consultation with any official committee of unsecured creditors appointed in this case (the "Committee") shall (a) coordinate the efforts of Potential Bidders in conducting their respective due diligence, (b) evaluate bids from Potential Bidders, (c) negotiate any bid made to acquire the Purchased Assets and (d) make such other determinations as are provided in these Bidding Procedures (collectively, the "Bidding Process"). Neither the Seller nor its representatives shall be obligated to furnish any information of any kind whatsoever relating to the Purchased Assets to any person who is not a Potential Bidder.

IV. Due Diligence

The Seller shall afford any Potential Bidder such due diligence access or additional information as may be reasonably requested by the Potential Bidder that the Seller, in its business judgment, determines to be reasonable and appropriate. The Seller may designate a representative to coordinate all reasonable requests for additional information and due diligence access from such Potential Bidders. No additional due diligence shall be made available to Potential Bidders after the Bid Deadline (as defined below).

V. Bid Deadline

A Potential Bidder that desires to make a bid shall deliver copies of its bid by facsimile and/or email to (i) the Seller, Sturlugata 8, Reykjavik, Iceland IS101, Attn: Dr. Kari Stefansson, facsimile: +354 570 1903, kari.stefansson@decode.is; (ii) counsel to the Seller, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801, Attn: Mark D. Collins, Esq. and Christopher M. Samis, Esq., facsimile: (302) 651-7701, collins@rlf.com, samis@rlf.com; (iii) counsel to the Special Committee, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, Attn: Richard R. Kelly, Esq., facsimile: (617) 542-2241, rrkelly@mintz.com; (iv) counsel to the Stalking Horse Bidder, O'Melveny & Myers, LLP, 2 Embarcadero Center, 28th Floor, San Francisco, California 94111, Attn: Suzanne Uhland, Esq., facsimile: (415) 984-8701, suhland@omm.com; (v) counsel to the Committee, Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, Attn: Andrew V. Tenzer, Esq., facsimile: (212) 848-7179, atenzer@shearman.com; (vi) local counsel to the Committee, Young Conaway Stargatt & Taylor, LLP, The Brandywine Building, 1000 West Street, 17th Floor, Wilmington, Delaware 19801, Attn: Pauline K. Morgan, Esq., facsimile: (302) 571-1253, pmorgan@ycst.com; and (vii) the Office of the United States Trustee, 844 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware 19801, Attn: David L. Buchbinder, Esq., facsimile (302) 573-6497, david.l.buchbinder@usdoj.gov, by no later than January 11, 2010 at 4:00 p.m. (prevailing Eastern Time) (the "Bid Deadline").

VI. Bid Requirements

All bids must be accompanied by a binding offer letter:

- (a) offering to acquire some or all of the Purchased Assets on terms and conditions no less favorable to the Seller than the terms and conditions contained in the Stalking Horse Agreement, accompanied, as attachments to the letter, by (i) a duly executed asset purchase agreement (the "Modified Agreement") and (ii) the Modified Agreement marked to show any proposed amendments and modifications to the Stalking Horse Agreement and its schedules and exhibits (the "Marked Agreement");
- (b) agreeing that the Potential Bidder's offer is binding and irrevocable until 48 hours after the earlier of (i) the closing of the sale of the Purchased Assets, (ii) the withdrawal of the Purchased Assets for sale by the Seller, or (iii) 30 days after the Sale Hearing;

- (c) offering to pay a purchase price greater than the aggregate consideration offered by the Stalking Horse Bidder pursuant to the Stalking Horse Agreement, plus the sum of the Break-Up Fee (as defined below), the Expense Reimbursement (as defined below), and an initial overbid amount of \$150,000 (the "Initial Bid Increment");
- (d) not requesting or entitling the Potential Bidder to any transaction or break-up fee, expense reimbursement or similar type of payment;
- (e) fully disclosing the identity of each entity that will be bidding for the Purchased Assets or otherwise participating in connection with such bid, and the complete terms of any such participation;
- (f) accompanied by a cash deposit or cashier's check in an amount not less than 10% of the Base Cash Price (as defined in the Stalking Horse Agreement) (the "Good Faith Deposit"), which the Seller shall hold in a segregated account containing only deposits from bidders participating in the Auction, which account shall be free and clear of all Liens, Claims and Interests (as defined in the Stalking Horse Agreement), including Permitted Liens (as defined in the Stalking Horse Agreement) pursuant to an order of the Bankruptcy Court;
- (g) stating that the Potential Bidder is financially capable of consummating the transactions contemplated by the Modified Agreement;
- (h) containing such financial and other information that will allow the Seller to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate the transactions contemplated by the Modified Agreement, including, without limitation, financial and other information sufficient to establish adequate assurance of future performance of any contracts or leases being assigned in connection with the proposed sale of the Purchased Assets;
- (i) not containing any due diligence or financing contingencies of any kind;
- (j) containing evidence that the Potential Bidder has received debt and/or equity funding commitments or has financial resources readily available sufficient in the aggregate to finance the purchase of the Purchased Assets, which evidence is satisfactory to the Seller in its sole discretion; and
- (k) including evidence of authorization and approval from the Potential Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery, and closing of the Modified Agreement.

The Seller, in consultation with the Committee, shall review each bid received from a Potential Bidder to ensure that it meets the requirements set forth above. A bid received from a Potential Bidder that meets the above requirements shall be considered a "Qualified Bid" and

each Potential Bidder that submits a Qualified Bid shall be considered a "Qualified Bidder." The Seller, in consultation with the Committee, shall determine whether each bid meets the requirements of a Qualified Bid. The Stalking Horse Agreement is a Qualified Bid and the Stalking Horse Bidder is a Qualified Bidder, for all purposes and requirements pursuant to the Bidding Procedures, notwithstanding the requirements that Potential Bidders must satisfy to be a Qualified Bidder.

A Qualified Bid shall be valued by the Seller based upon any and all factors that the Seller deems pertinent, including, among others, (a) the amount of the Qualified Bid, (b) the risks and timing associated with consummating a transaction with the Potential Bidder, (c) any excluded Purchased Assets or executory contracts and leases, and (d) any other factors that the Seller may deem relevant to the Sale in consultation with the Committee.

The Seller, in its business judgment, and in consultation with the Committee, reserves the right to reject any bid (other than the Stalking Horse Bid) if such bid:

- (a) is on terms that are more burdensome or conditional than the terms of the Stalking Horse Agreement;
- (b) requires any indemnification of such Potential Bidder in its Modified Agreement;
- (c) is not received by the Bid Deadline;
- (d) is subject to any due diligence, financing condition or other contingencies (including representations, warranties, covenants, and timing requirements) of any kind or any other conditions precedent to such party's obligation to acquire the Purchased Assets other than as may be included in the Stalking Horse Agreement; or
- (e) does not meet any requirement set forth above.

Any bid rejected pursuant to this paragraph shall not be deemed to be a Qualified Bid.

VII. Auction Participation

Unless otherwise ordered by the Bankruptcy Court for cause shown, only the Stalking Horse Bidder and each Potential Bidder who has submitted a Qualified Bid are eligible to participate at the Auction (as defined below). At least one business day prior to the Auction, each Qualified Bidder must inform the Seller whether it intends to participate in the Auction. The Seller shall promptly thereafter inform in writing each Qualified Bidder who has expressed its intent to participate in the Auction of the identity of all other Qualified Bidders that may participate in the Auction and shall provide copies of the Qualified Bids to the Stalking Horse Bidder. If the Seller does not receive any Qualified Bids other than the Stalking Horse Agreement, it shall not hold an Auction, the Stalking Horse Agreement shall be the Successful Bid (as defined below) and the Stalking Horse Bidder shall be named the Successful Bidder.

VIII. Auction

If at least one Qualified Bid other than the Stalking Horse Agreement is received by the Bid Deadline, the Seller shall conduct an auction (the "Auction"). The Auction shall take place at 10:00 a.m. (prevailing Eastern Time) on January 12, 2010, at the offices of proposed counsel for the Seller, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801, or such later time or such other place as the Seller shall designate and notify to all Qualified Bidders who have submitted Qualified Bids. Only a Qualified Bidder shall be eligible to participate at the Auction. Only representatives of the Seller, the Stalking Horse Bidder, the Committee, and Qualifying Bidders may participate at the Auction.

Only the Stalking Horse Bidder and other Qualifying Bidders shall be entitled to make any subsequent bids at the Auction. Each Qualifying Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the sale. In addition to the credit bid provided for as a portion of the purchase price under the Stalking Horse Agreement, the Stalking Horse Bidder shall have the ability to credit bid at the Auction the amount of the Break-Up Fee and the Expense Reimbursement (which shall be appropriately considered by the Seller when determining the net benefit to the estate of the bid). If a bidder's Qualified Bid other than the Stalking Horse Bidder's bid is selected as the highest and best offer, then the bidding shall start at the aggregate consideration for the Purchased Assets and terms proposed in that Qualified Bid plus \$100,000, and shall continue in increments of at least \$100,000. The Seller may, in consultation with the Committee, announce at the Auction additional procedural rules (e.g., the amount of time to make subsequent overbids) for conducting the Auction so long as the rules are not inconsistent with these Bidding Procedures or the bid protections afforded the Stalking Horse Bidder herein.

The Auction shall continue until there is only one offer that Seller determines, subject to Bankruptcy Court approval, is the highest and best offer submitted at the Auction from among the Qualifying Bidders and the Stalking Horse Bidder (the "Successful Bid"). For purposes of determining the Successful Bid, any overbid submitted by Purchaser shall be deemed to include the full amount of the Break-Up Fee and Expense Reimbursement. Immediately prior to the conclusion of the Auction, the Seller, in consultation with the Committee, shall: (a) review each bid made at the Auction on the basis of financial and contractual terms and such factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale; (b) identify the Successful Bid; and (c) notify all Qualified Bidders at the Auction, prior to its conclusion, of the name or names of the maker of the Successful Bid (the "Successful Bidder"), and the amount and other material terms of the Successful Bid.

Within three days after adjournment of the Auction, the Successful Bidder shall complete and execute all agreements, contracts, instruments and other documents evidencing and containing the terms and conditions upon which the Successful Bid was made. Bids made after the close of Auction shall not be considered by the Bankruptcy Court.

All bidders at the Auction shall be deemed to have consented to the core jurisdiction of the Bankruptcy Court and waived any right to jury trial in connection with any disputes relating to the Auction, the sale of the Purchased Assets and the construction and enforcement of the Stalking Horse Agreement.

IX. Acceptance of Qualified Bids

The Seller may (a) determine, in its reasonable business judgment, in consultation with the Committee, which Qualified Bid is the Successful Bid and the next best bid (the "Next Best Bid"); and (b) reject at any time before entry of the Bidding Procedures Order any bid, other than the Stalking Horse Agreement, that, in the Seller's reasonable judgment, after consultation with the Committee, is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures or the terms and conditions of the Sale or (iii) contrary to the best interests of the Seller and its estate.

The Seller presently intends to convey the Purchased Assets to the Qualified Bidder that submits the Successful Bid, whether such entity is the Stalking Horse Bidder or another Qualified Bidder. The Seller's presentation to the Bankruptcy Court for approval of the selected bid as the Successful Bid does not constitute the Seller's acceptance of the bid. The Seller will have accepted a Qualified Bid only when such Qualified Bid has been approved by the Bankruptcy Court at the Sale Hearing. The Seller and the Successful Bidder shall close the Sale on or before a date that is three (3) business days after the Sale Order becomes a Final Order, unless another time or date, or both, are agreed to in writing by the Seller and the Successful Bidder (the "Closing Date"). If the Successful Bidder does not close the Sale by the Closing Date, then the Seller shall be authorized, but not required, to close with the party that submitted the Next Best Bid (the "Next Best Bidder"), without a further court order; provided, however, that if the Stalking Horse Bidder is the Next Best Bidder, it shall not be required to close the Sale. If the Seller decides to close with the Next Best Bidder, the Seller and the Next Best Bidder shall have an additional 15 days after the Closing Date to close the Sale.

X. Payment of Break-Up Fee and Expense Reimbursement

So long as the Stalking Horse Bidder is not in material breach of its obligations under the Stalking Horse Agreement (and has been provided reasonable notice and opportunity to cure by the Seller in the event of any material breach by the Stalking Horse Bidder), if the Seller sells, transfers, leases or otherwise disposes of, directly or indirectly (including through an asset sale, stock sale, merger or other similar transaction) all or substantially all of the Business (as defined in the Stalking Horse Agreement) or the Assets in a transaction or a series of transactions with one or more Persons other than the Stalking Horse Bidder in any circumstance, including in accordance with these Bidding Procedures (such event being an "Alternative Transaction"), the Seller shall pay to the Stalking Horse Bidder in cash, within two business days after the consummation of such Alternative Transaction: (i) reimbursement of the Stalking Horse Bidder's reasonable out-of-pocket fees and expenses, including reasonable attorneys' fees and expenses of other consultants, incurred in connection with the transaction contemplated by the Stalking Horse Agreement in an amount up to \$500,000 in the aggregate ("Expense Reimbursement"), and (ii) a break-up fee of 3.0% of the Base Cash Price as would have otherwise been in effect as of the date of consummation of such Alternative Transaction (the "Break-Up Fee"). The Break-Up Fee and the Expense Reimbursement shall be paid as administrative expenses of the Seller with priority over any and all administrative expenses of the kind specified in Sections 503(b) or 507(b) of the Bankruptcy Code, and the Stalking Horse Bidder shall be entitled to a first priority priming lien on the proceeds of the Alternative Transaction until such Break-Up Fee and

Expense Reimbursement are paid in full. The Break-Up Fee and the Expense Reimbursement shall survive termination of the Stalking Horse Agreement.

XI. Return of Good Faith Deposit

The Good Faith Deposits of all Potential Bidders shall be held in escrow by the Seller, but shall not become property of the Seller's chapter 11 estate absent further order of the Bankruptcy Court. The Good Faith Deposits of all Potential Bidders shall be retained by the Seller, notwithstanding Bankruptcy Court approval of a sale, until 48 hours after the earlier of (a) closing of the Sale or (b) withdrawal of the Purchased Assets for sale by the Seller, but in any event, not later than 45 days after the Sale Hearing, at which time all Good Faith Deposits that have not been forfeited shall be returned. At the closing of the Sale contemplated by the Successful Bid, the Successful Bidder shall be entitled to a credit for the amount of its Good Faith Deposit. Upon the return of the Good Faith Deposits, their respective owners shall receive any and all interest that will have accrued thereon.

EXHIBIT 2

Form of Auction Notice

3. The Debtor proposes to: (a) sell the Purchased Assets free and clear of all Liens, Claims, or Interests thereon (except for certain assumed liabilities and permitted liens, if any, specifically described in the Stalking Horse Agreement or an agreement with another Successful Bidder); and (b) assume and assign the Assigned Contracts as described in the Stalking Horse Agreement or an agreement with another Successful Bidder. You may obtain a copy of the Stalking Horse Agreement for free by sending a written request to the Debtor's proposed counsel, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801 (Attention: Mark D. Collins, Esq., Christopher M. Samis, Esq.). As soon as practicable, but no later than December 31, 2009, the Debtor will file a schedule of cure obligations (the "Cure Schedule") for all potential Assigned Contracts. The Cure Schedule will include a description of each of the Debtor's contracts and leases potentially to be assumed and assigned under the Stalking Horse Agreement and the amount, if any, the Debtor believes is necessary to cure such agreements pursuant to section 365 of the Bankruptcy Code. A copy of the Cure Schedule, together with the Assumption and Assignment Notice, will be served on each of the non-debtor parties listed on the Cure Schedule by first class mail on the date that the Cure Schedule is filed with the Court.

4. The Bankruptcy Court has scheduled an auction of the Purchased Assets (the "Auction") for **January 12, 2010 at 10:00 a.m. (prevailing Eastern Time)** at the offices of Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801. All interested parties are invited to submit a qualifying bid to acquire the Purchased Assets.

5. A hearing to approve the sale of the Purchased Assets to the Stalking Horse Bidder or a Successful Bidder other than the Stalking Horse Bidder (the "Sale Hearing") is

scheduled to be conducted on January 14, 2010 at 4:00 p.m. (prevailing Eastern Time), in the United States Bankruptcy Court for the District of Delaware, Wilmington, Delaware, or as soon thereafter as counsel may be heard.

6. Objections to approval of the Sale, including the sale of the Purchased Assets free and clear of Liens, Claims or Interests (other than Permitted Liens), and objections to the assumption and assignment of any executory contract or unexpired lease identified on the Cure Schedule, including, but not limited to, objections relating to assignment of any such contract, adequate assurance of future performance of the Stalking Horse Bidder, or the Cure Costs set forth on the Cure Schedule, must be in writing, state the basis of such objection with specificity and be filed with this Court and served so as to be received on or before January 7, 2010 (the "Objection Deadline"), by proposed counsel to the Debtor, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801 (Attn: Mark D. Collins, Esq., Christopher M. Samis, Esq.); counsel to the Successful Bidder and counsel to the Committee; provided, however, that in the event the Auction results in a Successful Bidder other than the Stalking Horse Bidder, the deadline for objecting to the assignment of the Assigned Contracts to such Successful Bidder on the basis of adequate assurance of future performance shall be the commencement of the Sale Hearing.

7. The Sale Hearing (at which the Court will consider approval of the proposed Sale) may be adjourned, from time to time, without further notice to creditors or parties in interest other than by announcement of the adjournment in open court or on the Court's calendar.

Dated: December ____, 2009
Wilmington, Delaware

Respectfully submitted,

Mark D. Collins (No. 2981)
Christopher M. Samis (No. 4909)
Travis A. McRoberts (No. 5274)
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*Proposed Attorneys for the Debtor and
Debtor-in-Possession*

EXHIBIT 3

Form of Assumption and Assignment Notice

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	Chapter 11
)	
deCODE genetics, Inc. ¹)	Case No. 09-14063 (PJW)
)	
)	
Debtor.)	
)	

**NOTICE OF (I) DEBTOR'S INTENT TO ASSUME AND ASSIGN CERTAIN
EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND (II) CURE AMOUNTS**

PLEASE TAKE NOTICE that, pursuant to an order dated December __, 2009 (the "Bid Procedures Order"), the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") has authorized the above captioned debtor and debtor-in-possession (the "Debtor") to conduct an auction to sell certain assets (the "Purchased Assets") to the highest and best qualified bidder (the "Successful Bidder"). A hearing (the "Sale Hearing") will be held on **January 14, 2010 at 4:00 p.m. (prevailing Eastern Time)** in the United States Bankruptcy Court for the District of Delaware, to consider (i) the sale of the Assets to the Successful Bidder free and clear of liens, claims, and encumbrances (except for any assumed liabilities and permitted liens) and (ii) the assumption and assignment of executory contracts and unexpired leases in connection with the sale. At the Sale Hearing, the Debtor will request that the Bankruptcy Court enter an order (the "Sale Order") approving the sale.

PLEASE TAKE FURTHER NOTICE that, pursuant to the proposed Sale Order, the Debtor may assume and assign to the Successful Bidder those executory contracts and unexpired leases listed on **Schedule A** attached hereto (collectively, the "Assigned Agreements" and each, an "Assigned Agreement"), pursuant to section 365 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"). For the purposes of this paragraph, the "Successful Bidder" shall include Potential Bidders (as defined in the Bid Procedures Order).

PLEASE TAKE FURTHER NOTICE that the Debtor has indicated on **Schedule A** attached hereto (the "Cure Schedule") the cure amounts that the Debtor believes must be paid to cure all prepetition defaults under the Assigned Agreements as of November 16, 2009 (in each instance, the "Cure Cost").

PLEASE TAKE FURTHER NOTICE that any party seeking to (i) object to the validity of the Cure Cost as determined by the Debtor or otherwise assert that any other amounts, defaults, conditions or pecuniary losses must be cured or satisfied under any of the Assigned Agreements in order for such contract or lease to be assumed and assigned or (ii) object to the assumption and assignment of any Assigned Agreements on any other basis (including, but not limited to, objections to adequate assurance of future performance), must file a written objection

¹ The debtor in this case, along with the last four digits of the federal tax identification number for the debtor, is deCODE genetics, Inc. (6704).

(an "Assumption/Assignment Objection") with the Bankruptcy Court setting forth the cure amount the objector asserts to be due, and the specific types and dates of the alleged defaults, pecuniary losses and conditions to assignment and the support therefore, so that such objection is filed no later than **January 7, 2010** (the "Assumption/Assignment Objection Deadline"), and such objection shall also be served so the same is actually received on or before the Assumption/Assignment Objection Deadline by (i) proposed counsel to the Debtor, Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801 (Attn: Mark D. Collins, Esq., Christopher M. Samis, Esq.) and (ii) counsel to the official committee of unsecured creditors (the "Committee"), if any, (collectively, the "Notice Parties"); provided, however, that in the event the Auction results in a Successful Bidder other than the Stalking Horse Bidder (as defined in the Bid Procedures Order), the Debtor shall file a notice identifying such Successful Bidder with the Court and serve such notice upon each party identified in the Cure Schedule, and the deadline for objecting to the assignment of the Assigned Contracts to such Successful Bidder on the basis of adequate assurance of future performance shall be the commencement of the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that unless an Assumption/Assignment Objection is filed and served before the Assumption/Assignment Objection Deadline, all parties shall (i) be forever barred from objecting to the Cure Cost and from asserting any additional cure or other amounts with respect to the Assigned Agreements, and the Debtor and the Successful Bidder shall be entitled to rely solely upon the Cure Cost; (ii) be deemed to have consented to the assumption and assignment notwithstanding any anti-alienation provision or other restriction on assumption or assignment, and (iii) be forever barred and estopped from asserting or claiming against the Debtor or the Successful Bidder that any additional amounts are due or other defaults exist, that conditions to assignment must be satisfied under such Assigned Agreements or that there is any objection or defense to the assumption and assignment of such Assigned Agreements.

PLEASE TAKE FURTHER NOTICE that hearings with respect to the Assumption/Assignment Objections may be held (i) at the Sale Hearing, or (ii) at such other date as the Bankruptcy Court may designate upon motion by the Successful Bidder and the Debtor. Where a nondebtor counterparty to an Assigned Agreement files an objection asserting a cure amount higher than the proposed Cure Cost, (the "Disputed Cure Cost"), then (i) to the extent that the parties are able to consensually resolve the Disputed Cure Cost prior to the Sale Hearing, the Debtor shall promptly provide the Committee, if any, and the Successful Bidder notice and opportunity to object to such proposed resolution or (ii) to the extent the parties are unable to consensually resolve the dispute prior to the Sale Hearing, then the amount to be paid under section 365 of the Bankruptcy Code with respect to such Disputed Cure Cost will be determined at the Sale Hearing or at such other date and time as may be fixed by the Bankruptcy Court.

PLEASE TAKE FURTHER NOTICE that if you agree with the Cure Cost indicated on **Schedule A** and otherwise do not object to the Debtor's assumption and assignment of your lease or contract, you need not take any further action.

PLEASE TAKE FURTHER NOTICE that the Debtor's decision to assume and assign the Assigned Agreements is subject (i) to Bankruptcy Court approval and the

consummation of the sale of the Purchased Assets and (ii) written instruction to be provided to the Debtor within ninety (90) days of the closing of such sale (the "Contract Determination Date") regarding which, if any, of the Assigned Agreements listed on the Cure Schedule shall be assumed by the Debtor and assigned to the Successful Bidder. Assigned Contracts not designated in writing by the Successful Bidder as Assigned Contracts on or before the Contract Determination Date shall neither be deemed assumed by the Debtor nor assigned to the Successful Bidder and shall in all respects be subject to further administration under the Bankruptcy Code. Inclusion of any document on the list of Assigned Agreements shall not constitute or be deemed to be a determination or admission by the Debtor or the Successful Bidder that such document is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code, all rights with respect thereto being expressly reserved. For the purposes of this paragraph, "Successful Bidder" shall include Potential Bidders.

Dated: December __, 2009
Wilmington, Delaware

Respectfully submitted,

Mark D. Collins (No. 2981)
Christopher M. Samis (No. 4909)
Travis A. McRoberts (No. 5274)
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*Proposed Attorneys for the
Debtor and Debtor-in-Possession*

SCHEDULE A

**List of Executory Contracts and Unexpired Leases
Potentially to Be Assumed and Assigned at Closing**