

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re:

**Jointly Administered under
Case No. 08-46617**

Polaroid Corporation, et al.,

08-46617 (GFK)

Debtors.

(includes:

Polaroid Holding Company;

08-46621 (GFK)

Polaroid Consumer Electronics, LLC;

08-46620 (GFK)

Polaroid Capital, LLC;

08-46623 (GFK)

Polaroid Latin America I Corporation;

08-46624 (GFK)

Polaroid Asia Pacific LLC;

08-46625 (GFK)

Polaroid International Holding LLC;

08-46626 (GFK)

Polaroid New Bedford Real Estate, LLC;

08-46627 (GFK)

Polaroid Norwood Real Estate, LLC;

08-46628 (GFK)

Polaroid Waltham Real Estate, LLC)

08-46629 (GFK)

Chapter 11 Cases
Judge Gregory F. Kishel

**REVISED SUMMARY OF SALE PROPOSAL
(April 8, 2009)**

The following summary, together with the attached Exhibit, represents the summary prepared by the above-entitled debtors (collectively, the “Debtors” or “Polaroid”) and referenced in the Court’s April 7, 2009 Order Continuing Hearing to Authorize (I) the Sale of Certain of the Debtors’ Assets, Free and Clear of Liens, Claims, Encumbrances, and Interests; and (II) the Granting of Related Relief:

1. Identity of Proposed Purchaser/Successful Bidder. Polaroid (after consultation with Houlihan Lokey Howard & Zukin Capital, Inc. (“Houlihan Lokey”), representatives of the Official Committee of Unsecured Creditors appointed in the above-

referenced bankruptcy cases (the “Committee”), representatives of the Official Committee of Unsecured Creditors appointed in the *In re Petters Company, Inc. et al.* bankruptcy cases, representatives for Ritchie Capital Management, LLC, representatives of Acorn Capital, LLC and representatives of RWB Services, LLC and Lancelot Investors Fund, Ltd.), and after careful consideration of the bids submitted on April 7, 2009, has determined that the bid submitted by PLR Holdings, LLC, a joint venture composed of Hilco Consumer Capital, L.P. and Gordon Brothers Brands, LLC (the “Successful Bidder”), was the highest and best bid.

2. Identity of Back-Up Bidder. The bid submitted by Lithographic Legends, LLC (the “Back-Up Bidder”) was determined by the Debtors to be the back-up bid.

3. Summary of Sale Proposal. The Successful Bidder is acquiring certain assets of the Debtors as set forth in the Asset Purchase Agreement (as defined below), including rights under certain contracts, in an asset purchase transaction (the “Sale”), free and clear of all liens, claims, interests and encumbrances (collectively, “Liens”), with all such Liens to attach to the net sale proceeds of the Sale ultimately attributable to the property against or in which such Liens are asserted, all with the same validity, dignity, priority and effect and to the same extent as existed prior to the Sale and in all cases subject to any and all rights, claims and defenses that the Debtors may have with respect thereto. The terms of the Sale are set forth in a certain asset purchase agreement to be entered into by and among the Debtors and the Successful Bidder (the “Asset Purchase Agreement”). Other than terms impacting the consideration for the Sale (such as the Membership Interests and the Excluded Assets, as defined below) and the executory contracts that the parties may ultimately designate for assumption and assignment or rejection, the terms of the Asset Purchase Agreement are generally consistent with the terms outlined in the asset purchase agreement

between the Debtors and PHC Acquisitions, LLC, a wholly-owned subsidiary of Genii Capital S.A. (the “Stalking Horse Bidder”). Polaroid believes that the aggregate gross value of the Sale transaction to the bankruptcy estates, inclusive of the cash consideration, and the Debtors’ assessments with respect to equity consideration being delivered in connection with the transaction and the Excluded Assets is Seventy-Two Million Six Hundred and Twelve Thousand Dollars (\$72,612,000.00).

a. *Cash Consideration:* Forty Million Dollars (\$40,000,000.00), subject to potential downward adjustment based upon a specified inventory threshold of certain inventory as of the Closing Date which the Debtors and their professionals expect to have minimal impact on the cash consideration anticipated in connection with the transaction.

b. *Equity Consideration:* Membership interests in a limited liability company formed by the Successful Bidder known as PLR IP Holdings, LLC, a Delaware limited liability company (the “IP Company”), equal to twenty-five percent (25%) of the fully diluted limited liability company interests of the IP Company (the “Membership Interests”). It is anticipated that the IP Company will exploit and develop the Polaroid brand name and related intellectual property rights acquired by the Successful Bidder in connection with the Sale. The Membership Interests have been valued by the Debtors and their professionals, after consultation with the Committee, to be equal to Sixteen Million Two Hundred and Fifty Thousand Dollars (\$16,250,000.00). The Membership Interests will be issued initially to Polaroid Holding Company, as Sellers’ Representative for the benefit of the Sellers and their creditors (“Sellers’ Representative”), and shall be subject to the terms of a Limited Liability Company Agreement (the “LLC Agreement”).

c. *Excluded Assets:* The Successful Bidder has, like the Stalking Horse bid, excluded certain assets from its bid (the “Excluded Assets”). The Excluded Assets have been valued by the Debtors and their professionals at Sixteen Million Three Hundred and Sixty-Two Thousand Dollars (\$16,362,000.00). The historic art collection of Polaroid represents one of the categories of assets that have been excluded from the Sale and comprise a portion of the Excluded Assets. A summary of the Excluded Assets and differences between the assets that have been excluded in the Stalking Horse bid and the bid of the Successful Bidder as well as estimated values attributed by the Debtors and their professionals, after consultation with the Committee, to those assets are summarized on the Final Bid Comparison attached hereto as Exhibit A. It should be noted that the value ascribed to the Accounts Receivable on Exhibit A, which represent Excluded Assets, includes an agreement by the Successful Bidder to remit to Sellers’ Representative for the benefit of Sellers and their creditors eighty-five percent (85%) of any payment received by the Successful Bidder in respect of accounts receivable. In addition, the bankruptcy estates have retained all Avoidance Actions as Excluded Assets.

4. Break-Up Fees and Expense Reimbursement. Pursuant to the Court’s Order Approving Break-Up Fees and Expense Reimbursement, the Stalking Horse Bidder is entitled to a Break-Up Fee in the amount of One Million Two Hundred Thousand Dollars (\$1,200,000.00) and an Expense Reimbursement of up to Five Hundred Thousand Dollars (\$500,000.00).

5. Final Versions of Proposed Agreements. The Debtors and the Successful Bidder will be promptly filing the final form of Asset Purchase Agreement, Schedules and the Limited Liability Company Agreement with the Court.

DATED: April 8, 2009

LINDQUIST & VENNUM P.L.L.P.

By /e/ George H. Singer
James A. Lodoen (#173605)
George H. Singer (#262043)

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ATTORNEYS FOR POLAROID

Exhibit A – Comparison of Genii, Patriarch & Hilco/Gordon Brothers Bid

	Genii		Patriarch		Hilco/Gordon Brothers	
	Inc.	Excl.	Value	Inc.	Excl.	Value
Initial Consideration						
Bid - Value of Equity			-			16,250,000
% of NEWCO						25.00%
Bid - Value of Debt			-			-
Bid - Value of Cash ⁽¹⁾			42,000,000			38,300,000
Valued Assets						
IP Related Assets (including brand)						
Accounts Receivable	X			X		850,000
Inventory - 130 / PoGo	X			X		
Inventory - 120 / 122 (Instant Film)	X			X		5,000,000
IT Equipment	X		200,000	X		200,000
Art Collection	X			X		6,500,000
Polaroid ID Business (PIDS)	X		800,000	X		800,000
Readville Equipment	X		75,000	X		75,000
Instant Battery Inventory	X		100,000	X		100,000
20x24 Film	X		255,000	X		255,000
Polaroid Chemical Library	X			X		200,000
New Bedford PIFMASS	X		150,000	X		150,000
Accrued but unpaid royalties	X			X		600,000
Euhler Hermes Credit Insurance Policy	X			X		750,000
Other Items Impacting Value						
Polaroid Japan				X		1,200,000
Baker Road Lease				X		(318,000)
Other						
Value of Excluded Assets			<u>1,580,000</u>			<u>16,362,000</u>
Gross Proceeds to Estate			<u>43,580,000</u>			<u>54,662,000</u>
Estimated Residual Value to Estate			-			16,250,000
Total Value to Estate (excluding admin costs)⁽²⁾			<u>43,580,000</u>			<u>70,912,000</u>
Difference to Stalking Horse Bid			-			27,332,000

⁽¹⁾ The total of the required break-up fee and expense compensation to the stalking horse bidder (Genii) is \$1,700,000, which has been netted against the total Patriarch and Hilco/Gordon Brothers consideration for presentational purposes

⁽²⁾ All bids exclude cash held on the Company's balance sheet of approximately \$30 million, increasing total estimated proceeds to the estate by that amount

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CERTIFICATE OF SERVICE

Gretchen Luessenheide of the City of New Hope, County of Hennepin, State of Minnesota, being first duly sworn on oath, states that on April 8, 2009 she served the following document:

Revised Summary of Sale Proposal (April 8, 2009)

electronically by Notice of Electronic Filing upon all parties who have requested electronic service in these cases by filing the same via ECF with the Bankruptcy Court in the District of Minnesota.

/e/Gretchen Luessenheide
Gretchen Luessenheide