

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

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In re:

Chapter 7 Cases  
Judge Gregory F. Kishel

Polaroid Corporation, et al.,

Jointly Administered under  
Case No. 08-46617 (GFK)

Debtors.

(includes:

Polaroid Holding Company;  
Polaroid Consumer Electronics, LLC;  
Polaroid Capital, LLC;  
Polaroid Latin America I Corporation;  
Polaroid Asia Pacific LLC;  
Polaroid International Holding LLC;  
Polaroid New Bedford Real Estate, LLC;  
Polaroid Norwood Real Estate, LLC;  
Polaroid Waltham Real Estate, LLC)

08-46621 (GFK)  
08-46620 (GFK)  
08-46623 (GFK)  
08-46624 (GFK)  
08-46625 (GFK)  
08-46626 (GFK)  
08-46627 (GFK)  
08-46628 (GFK)  
08-46629 (GFK)

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**NOTICE OF SALE AND SALE PROCEDURES**

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**NOTICE:** On **January 25, 2011, at 1:30 p.m. (CST)** in Courtroom 2A, United States Courthouse, 316 N. Robert Street, St. Paul, Minnesota 55415, the Trustee of the bankruptcy estates of the above-captioned debtors will ask the Court to approve the sale of certain Assets (defined below) free and clear of all liens, claims, encumbrances and interests pursuant to 11 U.S.C. §§ 105, 363 and 365 (the “**Sale Hearing**”). The Assets, which are identified below, will be offered for sale pursuant to the Sale Procedures approved by the Court on January 3, 2011 (the “**Sale Procedures**”):

The photographs of the Polaroid Fine Art Collection (the “**Artex Photographs**”) along with certain furniture, storage equipment and other miscellaneous assets (the “**Other Assets**”) and the rights of PBE Corporation under a certain Warehousing Agreement dated effective March 17, 2008 (the “**Warehousing Agreement**,” and together with the Artex Photographs, collectively referred to herein as the “**Acquired Assets**”) that were, on November 2, 2010, warehoused in Somerville, Massachusetts to Perle Holdings Inc. (the “**Proposed Purchaser**”) for the sum of \$1,275,000.00 USD pursuant to the terms of that certain purchase agreement with the Proposed Purchaser (the “**Purchase Agreement**”); and

The photographs of the Polaroid Fine Art Collection that were, on November 2, 2010, located at Sotheby’s, Inc., New York, New York that are not included in the Proposed Purchaser’s Bid (the “**Sotheby’s Assets**” and, together with the Acquired Assets, collectively referred to herein as the “**Assets**”).

Copies of the Sale Motion, form Purchase Agreement, the Sale Procedures, the Auction (defined below) or other matters relating to the proposed sales transaction(s) and other related papers, which interested parties are encouraged to review, are on file with the Court and available on the Court’s web site, [www.mnb.uscourts.gov](http://www.mnb.uscourts.gov), or by request to the undersigned Trustee or his legal counsel. Additional information regarding the Assets, the Sale Procedures, the Auction (defined below) or other matters relating to the proposed sale transaction(s) may be obtained on request from the Trustee’s counsel at the address set forth below.

**SUPERIOR PROPOSALS:** The Proposed Purchaser's bid for the Acquired Assets is subject to higher and better offers. Any party that seeks to bid for the Acquired Assets, the Sotheby's Assets or the Assets must submit such bid(s) to the Trustee, his counsel and the Proposed Purchaser's counsel below no later than **January 20, 2011 at 5:00 p.m. (CST)** (the "**Bid Deadline**"). Such bid may be for the Acquired Assets and/or the Sotheby's Assets; provided, however, that parties seeking to bid on both the Acquired Assets and the Sotheby's Assets shall be required to submit a separate bid for each of the Acquired Assets and the Sotheby's Assets in accordance with the Sale Procedures.

In the event that a bidder seeks to bid on the Acquired Assets, the proposed purchase price for the Acquired Assets, in cash, must be equal to or greater than the sum of (x) the purchase price set forth in the Purchase Agreement, (y) the Break-Up Fee of \$50,000; and (z) \$10,000 (the sum of (x) through (z), the "**Acquired Assets Initial Incremental Bid Amount**"). Such bidder shall provide the Trustee a good faith deposit of 15% of such amount.

In the event that a bidder seeks to bid on the Sotheby's Assets, the proposed purchase price for the Sotheby's Assets, in cash, must be equal to or greater than \$556,750.00 (the "**Sotheby's Assets Initial Bid Amount**"). Such bidder shall provide the Trustee a good faith deposit of 15% of such amount.

**AUCTION:** If more than one Qualified Bid(s) are received, the Trustee may conduct an Auction for the Assets on **January 24, 2011 at 9:00 a.m. (CST)**. The Trustee shall notify all Qualified Bidders of the time and place of the Auction and may conduct the Auction telephonically. If Qualified Bids are received, the Trustee will seek approval of the sale(s) to the highest bidder(s) at the Sale Hearing. If no Qualified Bids are received for the Acquired Assets other than the Purchaser's Bid for the Acquired Assets, no Auction for the Acquired Assets will take place and the Trustee will request the Bankruptcy Court approve the Purchase Agreement and the sale of the Acquired Assets to the Proposed Purchaser at the Sale Hearing.

**OBJECTIONS:** Objections, if any, to the relief to be requested must be filed with the Court and served upon the Trustee, his counsel and the Proposed Purchaser's counsel below by mail or delivery not later than **January 20, 2011**, which is five (5) days before the time set for the Sale Hearing (including Saturdays, Sundays, and holidays). **UNLESS A RESPONSE OPPOSING THE MOTION IS TIMELY FILED, THE COURT MAY GRANT THE MOTION WITHOUT A HEARING.** Any objection must be in writing, filed with the clerk and served on the undersigned parties. **Any objector must also appear at the Sale Hearing.**

U.S. Bankruptcy Court  
301 U.S. Courthouse  
300 South Fourth Street  
Minneapolis, MN 55415

John R. Stoebner, Trustee  
One Financial Plaza  
120 South Sixth St, Ste. 2500  
Minneapolis, MN 55402  
(612) 338-5815  
(612) 338-6651 (facsimile)  
jstoebner@laplibra.com

George H. Singer (Counsel for Trustee)  
Lindquist & Vennum, PLLP  
80 South 8<sup>th</sup> Street, Ste. 4200  
Minneapolis, MN 55402  
(612) 371-2493  
(612) 371-3207  
gsinger@lindquist.com

Carl F. Schwartz (Counsel for Proposed Purchaser)  
Herrick, Feinstein LLP  
2 Park Avenue  
New York, NY 10016  
(212) 592-1500 (facsimile)  
cschwartz@herrick.com

Date: January 3, 2011

/e/ John R. Stoebner  
John R. Stoebner, Trustee



UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

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In re:

Polaroid Corporation, et al.,

Debtors.

(includes:

Polaroid Holding Company;  
Polaroid Consumer Electronics, LLC;  
Polaroid Capital, LLC;  
Polaroid Latin America I Corporation;  
Polaroid Asia Pacific LLC;  
Polaroid International Holding LLC;  
Polaroid New Bedford Real Estate, LLC;  
Polaroid Norwood Real Estate, LLC;  
Polaroid Waltham Real Estate, LLC)

Chapter 7 Cases  
Judge Gregory F. Kishel

Jointly Administered under  
Case No. 08-46617 (GFK)

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NOTICE OF SALE

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TO: The United States Trustee, all creditors and parties in interest.

**NOTICE:** On **January 25, 2011, at 1:30 p.m. (CST)** in Courtroom 2A, United States Courthouse, 316 N. Robert Street, St. Paul, Minnesota 55415, the Trustee of the bankruptcy estates of the above-captioned debtors will ask the Court to approve the sale of the Swiss Photographs (defined below) free and clear of all liens, claims, encumbrances and interests pursuant to 11 U.S.C. §§ 105 and 363 (the "**Sale Hearing**"):

The photographs of the Polaroid Fine Art Collection that are currently on loan to the Musée de L'Elysee located in Lausanne, Switzerland (the "**Swiss Photographs**") to WestLicht-Peter Coeln GmbH (the "**Proposed Purchaser**") for the sum of \$755,000.00 pursuant to the terms of that certain purchase agreement with the Proposed Purchaser (the "**Purchase Agreement**").

Copies of the Sale Motion, Purchase Agreement or other matters relating to the proposed sales transaction(s) and other related papers, which interested parties are encouraged to review, are on file with the Court and available on the Court's web site, [www.mnb.uscourts.gov](http://www.mnb.uscourts.gov), or by request to the undersigned Trustee or his legal counsel. Additional information regarding the Swiss Photographs or other matters relating to the proposed sale transaction may be obtained on request from the Trustee's counsel at the address set forth below.

**SUPERIOR PROPOSALS:** The Proposed Purchaser's bid for the Swiss Photographs is subject to higher and better offers. Any party that seeks to bid for the Swiss Photographs must submit such bid to the Trustee and his counsel and the Proposed Purchaser's counsel below **no later than January 20, 2011 at 5:00 p.m. (CST)** (the "**Bid Deadline**").

If no competing bids are received for the Swiss Photographs other than the Proposed Purchaser's bid, no auction for the Swiss Photographs will take place and the Trustee will request the Bankruptcy Court approve the Purchase Agreement and the sale of the Swiss Photographs to the Proposed Purchaser at the Sale Hearing. If more than one qualified bid is received, other than the Proposed Purchaser's bid, the Trustee may conduct an auction for the Swiss Photographs on **January 24, 2011 at 9:00 a.m. (CST)** or at such other date and time after the Bid Deadline and prior to the Sale Hearing as the Trustee may establish. The Trustee shall notify all qualified bidders of the time and place of the Auction and may conduct the auction telephonically and may establish bidding increments and other rules for the conduct of the Auction.

At the Sale Hearing, the Trustee will seek approval of the sale(s) to the highest bidder(s) (the "Successful Bidder") and may also seek authority and approval to sell the Swiss Photographs to a bidder other than the Successful Bidder who submitted the next highest bid (the "Back-Up Bid") in the event that the Successful Bidder fails to timely consummate the transaction (the "Back-Up Bidder").

**OBJECTIONS:** Objections, if any, to the relief to be requested must be filed with the Court and served upon the Trustee, his counsel and the Proposed Purchaser's counsel below by mail or delivery not later than **January 20, 2011**, which is five (5) days before the time set for the Sale Hearing (including Saturdays, Sundays, and holidays). **UNLESS A RESPONSE OPPOSING THE MOTION IS TIMELY FILED, THE COURT MAY GRANT THE MOTION WITHOUT A HEARING.** Any objection must be in writing, filed with the clerk and served on the undersigned parties. **Any objector must also appear at the Sale Hearing.**

U.S. Bankruptcy Court  
301 U.S. Courthouse  
300 South Fourth Street  
Minneapolis, MN 55415

John R. Stoebner, Trustee  
One Financial Plaza  
120 South Sixth St, Ste. 2500  
Minneapolis, MN 55402  
(612) 338-5815  
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[jstoebner@laplibra.com](mailto:jstoebner@laplibra.com)

George H. Singer (Counsel for Trustee)  
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[donelyt@seversonsheldon.com](mailto:donelyt@seversonsheldon.com)

Date: January 3, 2011

/s/ John R. Stoebner  
John R. Stoebner, Trustee

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;

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Polaroid Latin America I Corporation;

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Polaroid Asia Pacific LLC;

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Polaroid International Holding LLC;

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Polaroid New Bedford Real Estate, LLC;

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Polaroid Waltham Real Estate, LLC)

08-46629 (GFK)

Chapter 7 Cases  
Judge Gregory F. Kishel

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**ORDER (1) APPROVING AUCTION AND SALE PROCEDURES;  
(2) APPROVING BREAK-UP FEE AND OTHER PURCHASER PROTECTIONS;  
(3) APPROVING FORM AND MANNER OF NOTICE;  
AND (4) GRANTING RELATED RELIEF**

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This matter came on before the Court on January 3, 2011 on the Motion of John R. Stoebner as Trustee (the “Trustee”) of the Chapter 7 Bankruptcy Estate of PBE Corporation, formerly known as Polaroid Corporation, and the above-captioned debtors (collectively, the “Debtors” or the “Bankruptcy Estate”), for an Order (1) Approving Auction and Sale Procedures; (2) Approving Break-Up Fee and Other Purchaser Protections; (3) Approving Form and Manner of Notice; (4) Authorizing Sale of Assets Free and Clear of Liens, Claims,

NOTICE OF ELECTRONIC ENTRY AND FILING ORDER OR JUDGMENT Filed and Docket Entry made on 01/03/2011 Lori Vosejpka, Clerk, By JRB, Deputy Clerk
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Encumbrances and Interests; (5) Approving Assignment of Warehousing Agreement; and (6) Granting Related Relief. George H. Singer appeared on behalf of the Trustee. Other appearances were as noted on the record. Capitalized terms not otherwise defined herein shall have the meanings given to such terms in the verified motion filed in connection herewith (the “**Motion**”), the Purchase Agreement or in the Bankruptcy Code unless the context requires otherwise.

Based on the Motion, the arguments of counsel, all the files, records and proceedings herein, the Court being duly advised in the premises, and after due deliberation and sufficient cause appearing therefore:

IT IS HEREBY FOUND AND DETERMINED THAT<sup>4</sup>:

A. The Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. Due and proper notice of the Motion was provided and no other or further notice is required.

C. The Sale Procedures (as defined below), in the form annexed hereto as Exhibit A, are fair, reasonable and appropriate and are designed to maximize the value of the Bankruptcy Estate.

D. The Trustee has demonstrated a compelling and sound justification for authorizing the payment of the Break-Up Fee (the “**Break-Up Fee**”) as set forth in the Purchase Agreement (as defined below).

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<sup>4</sup> Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Fed. R. Bankr. 7052.

E. The Break-Up Fee is fair and reasonable, provides a benefit to the Bankruptcy Estate, creditors and other parties in interest in these cases, and will preserve or enhance the value of the Bankruptcy Estate for the benefit of creditors.

F. The Break-Up Fee, among other things: (i) is the result of arm's-length negotiations between the parties that were not tainted by self-dealing or manipulation; (ii) is reasonably tailored to encourage, rather than hamper, bidding for the Assets; (iii) is reasonable in amount relative to the proposed purchase price; (iv) is reasonably tailored to retain a potentially successful bid, establish a bid standard and minimum bid for other bidders, and attract additional bidders; and (v) correlates with a maximization of value to the Bankruptcy Estate.

G. If applicable, the Trustee's payment of the Break-Up Fee is reasonable and appropriate in light of, among other things, (i) the size and nature of the proposed sale, (ii) the substantial efforts that are being expended by the Proposed Purchaser, and (iii) the benefits the Proposed Purchaser is providing to the Bankruptcy Estate, creditors and all other parties in interest herein.

H. The entry of this Order is in the best interests of the Bankruptcy Estate, creditors and all other parties in interest herein.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. Pursuant to 11 U.S.C. §§ 105(a), 363 and 365 and Bankruptcy Rules 2002, 6004, 6006 and 9006, the Motion is granted as set forth herein.
2. All objections filed in response to the Motion, to the extent not resolved herein, are hereby overruled.

E. The Break-Up Fee is fair and reasonable, provides a benefit to the Bankruptcy Estate, creditors and other parties in interest in these cases, and will preserve or enhance the value of the Bankruptcy Estate for the benefit of creditors.

F. The Break-Up Fee, among other things: (i) is the result of arm's-length negotiations between the parties that were not tainted by self-dealing or manipulation; (ii) is reasonably tailored to encourage, rather than hamper, bidding for the Assets; (iii) is reasonable in amount relative to the proposed purchase price; (iv) is reasonably tailored to retain a potentially successful bid, establish a bid standard and minimum bid for other bidders, and attract additional bidders; and (v) correlates with a maximization of value to the Bankruptcy Estate.

G. If applicable, the Trustee's payment of the Break-Up Fee is reasonable and appropriate in light of, among other things, (i) the size and nature of the proposed sale, (ii) the substantial efforts that are being expended by the Proposed Purchaser, and (iii) the benefits the Proposed Purchaser is providing to the Bankruptcy Estate, creditors and all other parties in interest herein.

H. The entry of this Order is in the best interests of the Bankruptcy Estate, creditors and all other parties in interest herein.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. Pursuant to 11 U.S.C. §§ 105(a), 363 and 365 and Bankruptcy Rules 2002, 6004, 6006 and 9006, the Motion is granted as set forth herein.
2. All objections filed in response to the Motion, to the extent not resolved herein, are hereby overruled.



7. If the Trustee receives one or more Qualified Bids for the Acquired Assets (as defined in the Sale Procedures), the Trustee is authorized and empowered: (a) to conduct an Auction for the Acquired Assets (as defined below) on or about January 24, 2011 at 9:00 a.m. (prevailing Central Time) (or such other time as designated by the Trustee) and the Trustee shall notify all Qualified Bidders of the time and place of the Auction and may conduct the Auction telephonically; and (b) subject to the terms of this Order, to take all actions necessary, in the discretion of the Trustee, to conduct and implement such Auction. Similarly, if the Trustee receives one or more Qualified Bids for the Sotheby's Assets (as defined in the Sale Procedures), the Trustee is authorized and empowered: (a) to conduct an Auction for the Sotheby's Assets (as defined below) on or about January 24, 2011 at 9:00 a.m. (prevailing Central Time) (or such other time as designated by the Trustee) and the Trustee shall notify all Qualified Bidders of the time and place of the Auction and may conduct the Auction telephonically; and (b) subject to the terms of this Order, to take all actions necessary, in the discretion of the Trustee, to conduct and implement such Auction.

8. Qualified Bidders may submit a bid for (i) those certain photographs and other related assets as more fully set forth and identified in the Purchase Agreement (the "Acquired Assets"), (ii) those certain assets consisting of photographs of the Polaroid Fine Art Collection that were located at Sotheby's, Inc., New York, New York on November 2, 2010, which assets are not part the Purchaser's Bid (the "Sotheby's Assets"), and/or (iii) both the Acquired Assets and the Sotheby's Assets (collectively, the "Assets"); provided, however, that Qualified Bidders seeking to bid on both the Acquired Assets and the Sotheby's Assets shall submit separate bids for each of the Acquired Assets and the Sotheby's Assets. The Trustee is authorized and

empowered to enter into and seek approval at the Sale Hearing of one or more agreements for the sale of the Acquired Assets and/or the Sotheby's Assets with one or more Qualified Bidders which agreements shall be subject to higher and better bids at the Auction.

9. If the Trustee does not receive any Qualified Bids (other than the Purchaser's Bid) for the Acquired Assets by 5:00 p.m. (prevailing Central Time) on January 20, 2011, the Trustee is authorized to cancel the Auction and seek approval of the Purchase Agreement in accordance with the Sale Procedures at a hearing to be held on January 25, 2011 at 1:30 p.m. (prevailing Central Time) (the "Sale Hearing"). If the Trustee does not receive any Qualified Bids for the Sotheby's Assets by 5:00 p.m. (prevailing Central Time) on January 20, 2011, the Trustee is authorized to cancel the Auction for those assets. If the Trustee receives only one Qualified Bid for the Sotheby's Assets, he may seek approval of that bid in accordance with the Sale Procedures at the Sale Hearing.

10. The Trustee may: (a) select, in his business judgment, the highest and best offer(s), and the Successful Bidder or Bidders and the next highest and best offer(s), and the Back-Up Bidder or Bidders; and (b) reject any bid that, in the Trustee's business judgment, is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bankruptcy Rules and the Sale Procedures, or (iii) contrary to the best interests of the Bankruptcy Estate, creditors or other parties in interest.

#### Break-Up Fee

11. The Break-Up Fee as set forth in the Purchase Agreement is hereby approved. If the Break-Up Fee becomes payable in accordance with the terms set forth in the Purchase Agreement, pursuant to sections 105 and 363 of the Bankruptcy Code, the Trustee shall be

authorized and empowered to pay the Break-Up Fee in accordance with the terms set forth in the Purchase Agreement without further order of this Court. The Break-Up Fee shall, if payable, be deemed to constitute a priority administrative expense pursuant to Section 503(b) and Section 507(a)(2) of the Bankruptcy Code.

12. The failure specifically to include or reference any particular provision, section or article of the Purchase Agreement or the Sale Procedures as it relates to the Purchaser Protections shall not diminish or impair the effectiveness of such provision, section or article, it being the intent of the Court that the Purchaser Protections be authorized and approved in their entirety.

#### The Sale Hearing

13. The Sale Hearing shall be held before this Court on January 25, 2011 at 1:30 p.m. (prevailing Central Time), or as soon thereafter as counsel and interested parties may be heard. The form and manner of notices set forth in the Motion or otherwise presented to the Court on the date hereof is hereby approved and service thereof or, alternatively service of the Motion, upon parties entitled to notice shall be deemed good and sufficient notice of the Auction and the Sale Hearing. The Sale Hearing may be adjourned, from time to time, without further notice to creditors or other parties in interest other than by announcement of the adjournment before this Court or on this Court's calendar on the date scheduled for the hearing.

14. Objections, if any, to the Sale(s) must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the clerk of the Bankruptcy Court for the District of Minnesota, and served by delivery or mail not later than January 20, 2011, which is five (5) days before the Sale Hearing (including intermediate Saturdays, Sundays



and legal holidays), or such later dates and times as the Trustee may agree in writing, (i) Lapp, Libra, Thomson, Stoebner & Pusch, One Financial Plaza, Suite 2500, 120 South 6<sup>th</sup> Street, Minneapolis, MN 55402 (Attn: John R. Stoebner), Trustee; (ii) Lindquist & Vennum PLLP, 4200 IDS Center, 80 South Eighth Street, Minnesota, MN 55402-2274 (Attn: George H. Singer, Esq.); and (iii) Herrick, Feinstein LLP, 2 Park Avenue, New York, New York 10016 (Attn: Carl F. Schwartz, Esq.), counsel for Perle Holdings Inc. Any objector must also appear at the Sale Hearing.

#### Additional Provisions

15. The automatic stay provision of section 362 of the Bankruptcy Code shall not apply to the Proposed Purchaser's right to terminate the Purchase Agreement in accordance with the terms of the Purchase Agreement.

16. The Trustee is authorized and empowered to take such steps, expend such sums of money and do such other things as may be necessary to implement and effect the terms of this Order.

17. This Order shall be binding upon and inure to the benefit of the Successful Bidder(s) and any Back-Up Bidder(s) and each of their respective affiliates, successors and assigns, and the Trustee.

18. As provided by Bankruptcy Rule 6004(h), this Order shall not be stayed for ten (10) days after the entry thereof and shall be effective and enforceable immediately upon its entry on this Court's docket.

19. This Court shall retain jurisdiction over any matters related to or arising from the implementation of this Order, including, but not limited to, any matter, claim or dispute arising from or relating to the Sale Procedures, the Purchaser Protections and the Purchase Agreement.

Dated: January 3, 2011

*/e/ Gregory F. Kishel*

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Gregory F. Kishel  
United States Bankruptcy Judge

**EXHIBIT A**

**Sale Procedures**



## **SALE PROCEDURES**

### **INTRODUCTION**

John R. Stoebner (the "Trustee") is the duly appointed Chapter 7 Trustee of the bankruptcy estate of PBE Corporation, f.k.a. Polaroid Corporation, and those subsidiary and affiliated debtors in bankruptcy proceedings jointly administered under Case No. 08-46617 (the "Bankruptcy Estate") pending in the United States Bankruptcy Court for the District of Minnesota (the "Bankruptcy Court").

The Trustee has entered into an agreement with Perle Holdings Inc. ("Proposed Purchaser") for the sale of assets of the Bankruptcy Estate consisting of certain photographs and other related assets pursuant to its bid (the "Purchaser's Bid") as more fully set forth in the Purchase Agreement dated December 21, 2010 ("Purchase Agreement"). The Purchaser's Bid and Purchase Agreement are subject to Bankruptcy Court approval and higher and better offers submitted in accordance with the process described in these Sale Procedures (defined below).

### **SALE PROCEDURES**

Set forth below are the sale procedures (the "Sale Procedures") to be employed with respect to the proposed sale of certain assets (the "Proposed Sale"). The Trustee has obtained or will obtain the entry of an order from the Bankruptcy Court (the "Bankruptcy Procedures Order") authorizing and approving (i) certain bid protections for the Proposed Purchaser and (ii) the Proposed Sale to the Proposed Purchaser or to one or more other Qualified Bidders (defined below) that are determined to have made the highest and best offer for the Acquired Assets (defined below) and/or the Sotheby's Assets (defined below) (the "Sale Transaction(s)"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

### **PURCHASE AGREEMENTS**

On December 21, 2010, the Trustee entered into the Purchase Agreement with the Proposed Purchaser which Purchase Agreement sets forth the Purchaser's Bid for the Acquired Assets. Pursuant to the Purchase Agreement, and to the maximum extent permitted by section 363 of title 11 of the United States Code (the "Bankruptcy Code"), the Proposed Purchaser proposes to acquire certain photographs and other related assets as more fully set forth and identified in the Purchase Agreement (the "Acquired Assets") free and clear of any and all Liens, Claims, Encumbrances and adverse interests (collectively, the "Interests"), excluding those certain assets consisting of photographs of the Polaroid Fine Art Collection that were located at Sotheby's, Inc., New York, New York on November 2, 2010, which assets are not part of the Purchaser's Bid (the "Sotheby's Assets"; together with the Acquired Assets, the "Assets").

Qualified Bidders (as defined below) may submit a bid for (i) the Acquired Assets, (ii) the Sotheby's Assets, or (iii) the Assets; provided, however, that Qualified Bidders seeking to bid on both the Acquired Assets and the Sotheby's Assets shall be required to submit separate

bids for the Acquired Assets on one hand, and for the Sotheby's Assets on the other. The Trustee reserves the right to enter into and seek approval of agreements with one or more other Qualified Bidders (i) after the Auction, for the Acquired Assets if a Qualified Bid higher and better than the Purchaser's Bid is received before the expiration of the Bid Deadline consistent with the terms hereof, and (ii) at any time for the sale of the Sotheby's Assets.

### **THE BIDDING PROCESS**

The Trustee shall (i) determine in his sole discretion whether any bid for Assets is a Qualified Bid (defined below), (ii) coordinate the efforts of Potential Bidders (defined below) in conducting their due diligence investigations, (iii) receive and evaluate offers from Potential Bidders, and (iv) negotiate in good faith any offers made to purchase the Acquired Assets or the Sotheby's Assets (collectively, the "Bidding Process"). Any person that wishes to participate in the Bidding Process must be a Potential Bidder.

### **PARTICIPATION REQUIREMENTS**

Any person that wishes to conduct due diligence and participate in the Bidding Process must first deliver to the Trustee:

- (i) an executed confidentiality agreement in form and substance to be provided by the Trustee, and which confidentiality agreement is at least as restrictive in all material respects as the confidentiality agreement entered into between the Trustee and the Proposed Purchaser;
- (ii) a letter of indication that preliminarily states whether the bidder is interested in bidding on the Acquired Assets, the Sotheby's Assets or all of the Assets; and
- (iii) sufficient documents and information as may be requested by the Trustee to allow the Trustee to determine that the bidder has or will have the financial wherewithal to close on the sale of the Assets on which the bidder intends to bid.

A "Potential Bidder" is a person that delivers the documents described in subparagraphs (i) and (iii) above, and that the Trustee determines is reasonably likely (based on the documents and information provided and other considerations deemed relevant by the Trustee ) to submit a bona fide offer and to be able to consummate a Sale Transaction if selected as a Successful Bidder or Back-Up Bidder (as such terms are defined below).

### **DUE DILIGENCE**

The Trustee may afford each Potential Bidder the time and opportunity to conduct reasonable due diligence; provided, however, that neither the Trustee nor any of his representatives shall be obligated to furnish any due diligence information: (i) at any time to any person other than a Potential Bidder; or (ii) after the Bid Deadline (as hereinafter defined) to any Potential Bidder.



## **BID DEADLINE**

The deadline for a Potential Bidder to submit bids shall be **January 20, 2011 at 5:00 p.m. (prevailing Central Time)** (the "**Bid Deadline**"). Any Potential Bidder who fails to submit a bid so as to be received by the parties listed below in advance of the Bid Deadline shall not be deemed a Qualified Bidder.

Prior to the Bid Deadline, a Potential Bidder that desires to make a bid shall deliver written copies of its bid in writing and executed by an individual authorized to bind the Potential Bidder. Each bid shall be served by courier, facsimile, e-mail or as otherwise specified by the Trustee to the following: (i) Lapp, Libra, Thomson, Stoebner & Pusch, One Financial Plaza, Suite 2500, 120 South 6<sup>th</sup> Street, Minneapolis, MN 55402 (Attn: John R. Stoebner, [jstoebner@lapplibra.com](mailto:jstoebner@lapplibra.com); 612.338.6651 (facsimile)), Trustee; (ii) Lindquist & Vennum PLLP, 4200 IDS Center, 80 South Eighth Street, Minnesota, MN 55402-2274 (Attn: George H. Singer, Esq.; [gsinger@lindquist.com](mailto:gsinger@lindquist.com); 612.371.3207 (facsimile)), special counsel to the Trustee; and (iii) Herrick, Feinstein LLP, 2 Park Avenue, New York, New York 10016 (Attn: Carl F. Schwartz, Esq.; [cschwartz@herrick.com](mailto:cschwartz@herrick.com); 212.592.1500 (facsimile)), counsel for Perle Holdings Inc.

## **BID REQUIREMENTS**

All bids must include the following items (the "**Required Bid Materials**"):

- (i) An executed copy of a purchase agreement(s) and any ancillary agreements pursuant to which the Potential Bidder proposes to acquire the Acquired Assets, the Sotheby's Assets or the Assets, as the case may be, which purchase agreement(s) shall include (i) a commitment to close by a date no later than five (5) business days following the approval of the sale by the Bankruptcy Court; and (ii) a written acknowledgement by the Qualified Bidder that it agrees to all of the terms for sale set forth in these Sale Procedures.
- (ii) In the event that the Qualified Bidder seeks to bid on the Acquired Assets, a proposed purchase price for the Acquired Assets, in cash, equal to or greater than the sum of (x) the purchase price set forth in the Purchase Agreement, (y) the Break-Up Fee; and (z) \$10,000 (the sum of (x) through (z), the "**Acquired Assets Initial Incremental Bid Amount**").
- (iii) In the event that the Qualified Bidder seeks to bid on the Sotheby's Assets, a proposed purchase price for the Sotheby's Assets, in cash, equal to or greater than \$556,750.00 (the "**Sotheby's Assets Initial Bid Amount**").
- (iv) In the event that the Qualified Bidder seeks to bid on the Acquired Assets, a good faith deposit equal to 15% of the Acquired Assets Initial Incremental Bid Amount (each such deposit and the deposit referred to in the next paragraph is referred to herein as the "**Deposit**"). The Deposit shall be held by the Trustee in trust and will be refunded on the terms set forth below.

- (v) In the event that the Qualified Bidder seeks to bid on the Sotheby's Assets, a good faith deposit equal to 15% of the Sotheby's Assets Initial Bid Amount. The Deposit shall be held by the Trustee in trust and will be refunded on the terms set forth below.
- (vi) Evidence or a statement indicating that the bidder has obtained authorization and approval from its board of directors (or comparable governing body) with respect to the submission and consummation of its bid and acceptance of the terms of sale in these Sale Procedures, or a representation that no such authorization or approval is required and that any and all consents required in connection with the submission and consummation of the bid have been obtained and that no other consents are required.
- (vii) Evidence of sufficient cash on hand or written evidence of an unconditional commitment for financing or other evidence of the ability to consummate the sale satisfactory to the Trustee with appropriate contact information for such financing sources.
- (viii) A redline of the Qualified Bidder's proposed purchase agreement over that of the Proposed Purchaser.
- (ix) A written disclosure of the identity of each entity that will be bidding for the Assets or otherwise participating in connection with such bid, and the complete terms of any such participation (including copies of any co-investor agreements, side letters and other similar documents).
- (x) Such other information as may be reasonably requested by the Trustee.

In addition, any bid for the Acquired Assets, the Sotheby's Assets or the Assets must:

- (i) be on terms that are not materially more burdensome or conditional than the terms of the Purchase Agreement;
- (ii) not be conditioned on obtaining financing or the outcome of any due diligence by the bidder; and
- (iii) not request or entitle the Qualified Bidder to any break-up fee, expense reimbursement or similar type of payment.

A bid received from a Potential Bidder that includes all of the Required Bid Materials and meets all of the above requirements is a "Qualified Bid." A Potential Bidder that submits a Qualified Bid (a "Qualified Bidder") shall be entitled to participate in the Auction.

The Trustee reserves the right to determine the value of any Qualified Bid (either by itself or in connection with one or more other Qualified Bids) and which Qualified Bid or Qualified Bids constitutes the highest and best offer. The Trustee further reserves the right to contact



bidders to discuss or clarify the terms and to indicate any terms which may need to be modified in order to conform the bid to a Qualified Bid or otherwise evaluate the bid. The Trustee also reserves the right to reject, at any time before entry of an order of the Bankruptcy Court approving a Qualified Bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, these Sale Procedures or the terms and conditions of sale (as set forth in these Sale Procedures), or (iii) contrary to the best interests of the Bankruptcy Estate.

### **PROPOSED PURCHASER IS A QUALIFIED BIDDER**

The Proposed Purchaser is a Qualified Bidder, and the Purchase Agreement is a Qualified Bid. The Proposed Purchaser shall not be required to take any further action in order to participate in the Auction or, if the Proposed Purchaser's bid is the Successful Bid (as defined below) or the Back-Up Bid (as defined below), to be named the Successful Bidder or the Back-Up Bidder at the Sale Hearing (as defined below).

### **AUCTION**

If a Qualified Bid other than that submitted by the Proposed Purchaser has been received by the Trustee, the Trustee may conduct an auction (the "Auction") with respect to the Acquired Assets, the Sotheby's Assets or the Assets. The Auction shall commence on **January 24, 2011 at 9:00 a.m.** (prevailing Central Time). The Trustee shall notify all Qualified Bidders of the time and place of the Auction and may conduct the Auction telephonically. If no Qualified Bids are received other than the Purchaser's Bid or if the Qualified Bids submitted are rejected, no Auction will take place and the Trustee shall request the Bankruptcy Court to approve the Proposed Sale to the Proposed Purchaser at the Sale Hearing.

Only a Qualified Bidder who is designated as such by the Trustee is eligible to participate at the Auction. During the Auction, bidding shall begin initially with the highest Qualified Bid(s) as determined by the Trustee. Bidding increments for the Acquired Assets, after the Acquired Assets Initial Incremental Bid Amount, shall be in increments of at least \$10,000 and the bidding increments for the Sotheby's Assets, after the Sotheby's Assets Initial Bid Amount, shall be in increments of at least \$10,000. All bids must be submitted publicly before the other Qualified Bidders and the Trustee and/or his representative(s) in attendance in person or telephonically.

Based upon the terms of the Qualified Bids received, the number of Qualified Bidders participating in the Auction, and such other information as the Trustee determines is relevant, the Trustee may conduct the Auction in any manner he determines will achieve the maximum value for the Assets. The Trustee may also adopt rules for the Auction at or prior to the Auction that will better promote the goals of the Auction and that are not materially inconsistent with any order of the Bankruptcy Court.

Unless otherwise agreed by the Trustee, no Qualified Bidder will be permitted more than thirty (30) minutes to respond to the previous bid at the Auction and, at the expiration of such time (unless extended), the Auction shall conclude. Upon conclusion of the bidding, the Auction shall be closed, and the Trustee shall (i) immediately review each Qualified Bid on the basis of

financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Proposed Sale, and (ii) at the conclusion of the Auction identify which highest and best offer(s) for the Acquired Assets, the Sotheby's Assets or the Assets will provide the greatest amount of net value to the Bankruptcy Estate, and advise the Qualified Bidder(s) of such determination. The Qualified Bidder whose final bid(s) is/are deemed by the Trustee to be highest or best following the conclusion of the Auction, will be the "Successful Bidder(s)," and such bid, the "Successful Bid(s)." The next highest and best bid(s) will be the "Back-Up Bid(s)" and the maker of such bid(s) will be the "Back-Up Bidder(s)." Final purchase agreements between the Trustee and both the Successful Bidder(s) and the Back-Up Bidder(s) will be executed on the same day of the Auction. If the final bid of the Proposed Purchaser is not the Successful Bid or the Back-Up Bid for the Acquired Assets, the Break-Up Fee shall be paid as described in the Purchase Agreement and the Bankruptcy Procedures Order.

EACH BID SUBMITTED SHALL CONSTITUTE AN IRREVOCABLE OFFER AND BE BINDING ON THE SUCCESSFUL BIDDER(S) AND THE BACK-UP BIDDER(S) FROM THE TIME THE BID IS SUBMITTED UNTIL THE ENTRY OF THE BANKRUPTCY COURT'S BANKRUPTCY SALE ORDER (AS DEFINED BELOW) AND IF THE PREVAILING BID(S) AND BACK-UP BID(S) ARE APPROVED, AS THE CASE MAY BE, AS TO THEM UNTIL THE EARLIER OF TWO (2) BUSINESS DAYS AFTER THE SALE OR SALES OF THE ACQUIRED ASSETS OR THE SOTHEBY'S ASSETS HAS CLOSED OR, WITH RESPECT TO THE BACK-UP BIDDER(S), THIRTY (30) DAYS AFTER THE BANKRUPTCY SALE ORDER IS ENTERED UNLESS FURTHER EXTENDED BY AGREEMENT BETWEEN THE TRUSTEE AND THE BACK-UP BIDDER(S).

#### **ACCEPTANCE OF QUALIFIED BIDS**

The Trustee intends to sell Acquired Assets, the Sotheby's Assets or the Assets, as the case may be, to the Successful Bidder(s) upon the approval of the Successful Bid(s) and the Back-Up Bid(s) by the Bankruptcy Court after a hearing (the "Sale Hearing"). The Trustee's identification of the Successful Bid at the conclusion of the Auction shall constitute the Trustee's acceptance of that bid for the Acquired Assets subject only to approval thereof by the Bankruptcy Court.

### **SALE HEARING**

The Sale Hearing shall be conducted by the Bankruptcy Court on **January 25, 2011 at 1:30 p.m.** (prevailing Central Time) at which the Trustee will seek Bankruptcy Court approval of the Successful Bid(s) and the Back-Up Bid(s) (the "**Bankruptcy Sale Order**") In the event that the Successful Bidder(s) fails to consummate the sale or sales as required by these Procedures and its purchase agreement and the Bankruptcy Sale Order, the Trustee shall be permitted to close with the Back-Up Bidder(s) on the Back-Up Bid(s) without further order of the Court by providing five (5) business days' written notice to the Back-Up Bidder(s) (or such other notice as the Trustee and the Back-Up Bidder(s) may agree).

### **TERMS AND CONDITIONS OF SALE**

Except as and to the extent provided in the Purchase Agreement, any other agreement that may be entered into by the Trustee or the Bankruptcy Sale Order, the sale of the Acquired Assets or any of the Assets shall be on an "AS IS," "WHERE IS" and "WITH ALL FAULTS" basis and without representations or warranties of any kind, nature or description by the Trustee or his agents, and by submitting a bid, each bidder is deemed to acknowledge and agree to the foregoing.

### **RETURN OF DEPOSITS**

No Deposit submitted pursuant to these Sale Procedures shall be subject to the liens, claims, security interests, or encumbrances of the Bankruptcy Estate's creditors. Each Deposit submitted pursuant to these Sale Procedures will be held by the Trustee in trust until the selection of the Successful Bidder(s) and the Back-Up Bidder(s), as to all other bidders, or as to the Back-Up Bidder(s), until forty-eight (48) hours after the Back-Up Bidder(s)' bid is terminated in accordance with the provisions above.

If the Successful Bidder(s) or the Back-Up Bidder(s) fail to consummate an approved sale because of a breach or failure to perform on the part of such bidder, the Trustee shall be entitled to retain the Deposit as its damages resulting from the breach or failure to perform by the Successful Bidder(s) or the Back-Up Bidder(s) as the case may be. The Trustee shall credit the Deposit of the Successful Bidder(s) or the Back-Up Bidder(s) towards the purchase price on the closing of the sale of the Acquired Assets, the Sotheby's Assets or the Assets, as the case may be.



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