

**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

Polaroid Corporation and
Polaroid Consumer Electronics, LLC,

Plaintiffs,

ADV. No. _____

-vs.-

Acorn Capital Group, LLC, as lender and as
administrative and collateral agent,

Defendant.

COMPLAINT

Polaroid Corporation (“PC”) and Polaroid Consumer Electronics, LLC (“PCE”) (collectively, “Polaroid,” “Plaintiffs” or “Debtors”), by and through their undersigned legal

counsel, Lindquist & Vennum PLLP, as and for their Complaint against Acorn Capital Group, LLC, as lender and as collateral agent ("Acorn Capital"), state and allege as follows:

PARTIES

1. On December 18, 2008 (the "Petition Date"), PC, PCE and other affiliated Polaroid debtors filed for protection under Chapter 11, Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Minnesota (this "Court"), commencing the above-referenced bankruptcy cases (the "Bankruptcy Cases"). The Bankruptcy Cases are currently pending before this Court.

2. PC is a corporation duly organized and existing under the laws of the State of Delaware and has its principal place of business located at 4400 Baker Road, Minnetonka, Minnesota 55343. At all times material hereto, Thomas J. Petters, served as Chairman and sole member of the Board of Directors of PC.

3. PCE is a limited liability company duly organized and existing under the laws of the State of Delaware and has its principal place of business located at 4400 Baker Road, Minnetonka, Minnesota 55343. At all times material hereto, Thomas J. Petters, served as Chairman and sole member of the Board of Governors of PCE.

4. At all times material hereto, Polaroid has been owned by Polaroid Holding Company, which in turn is owned and controlled by Petters Group Worldwide, LLC ("PGW"), which in turn is owned and controlled by Thomas J. Petters. At all times material hereto, Thomas J. Petters, served as Chairman of the Board of Directors and Chief Executive Officer of PGW.

5. PGW is a limited liability company duly organized and existing under the laws of the State of Delaware and is a debtor in a Chapter 11 bankruptcy case identified as BKY Case No. 08-45258 which is currently pending before this Court.

6. Acorn Capital is a limited liability company duly organized and existing under the laws of the State of Delaware and, upon information and belief, is a hedge fund that has its principal place of business located at Two Greenwich Office Park, Greenwich, Connecticut 06831. Acorn Capital is an initial transferee of the fraudulent, preferential or other avoidable transfers alleged in this Complaint, or a person for whose benefit such transfers were made, or an immediate or mediate transferee of any initial transferee of such transfers.

JURISDICTION AND VENUE

7. This Court has jurisdiction under 28 U.S.C. §§ 157 and 1334 of the subject matter of this adversary proceeding because the claims asserted herein arise under Chapter 11 of the Bankruptcy Code and are related to a case pending under the Bankruptcy Code before this Court.

8. This adversary proceeding is a core proceeding pursuant to 28 U.S.C. § 157.

9. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

NATURE OF THE ADVERSARY PROCEEDING

10. This Adversary Proceeding arises from a massive fraud and Ponzi scheme perpetrated by Thomas J. Petters that has resulted in losses to investors reportedly in excess of \$3 billion and the orchestrated efforts of Acorn Capital to cover substantial losses and prefer its individual interests at the expense of Polaroid, its creditors and other stakeholders.

11. Thomas J. Petters attracted investment commitments of at least \$300 million from Acorn Capital over the course of several years through a company, directly or indirectly, owned and controlled by him known as PAC Funding, LLC (“PAC Funding”). Acorn Capital has, upon information and belief, also financed other transactions with companies owned or controlled, directly or indirectly, by Thomas J. Petters. The investment transactions between Acorn Capital, which serves as administrative agent and collateral agent for a group of investors, and PAC Funding were purportedly established to finance the purchase of electronic equipment and other

goods. Upon discovery in early 2008 of breaches by Thomas J. Petters and PAC Funding of representations and warranties regarding the existence, amount, nature and quality of collateral (i.e. inventory and accounts receivable) pledged by PAC Funding to secure the financings, Acorn Capital, Thomas J. Petters and PAC Funding orchestrated a plan targeted at securing the value of Polaroid in an attempt to shore up, conceal and cover millions of dollars in losses.

12. Polaroid consists of a group of operating companies with brand value and revenues that to some degree are independent of other businesses and enterprises controlled by Thomas J. Petters.

13. Acorn Capital and Thomas J. Petters unfairly used their leverage, information and positions to keep the Petters empire afloat and to extract value from Polaroid and its assets through a series of overreaching agreements and avoidable transfers made to or for the benefit of Acorn Capital.

14. Upon information and belief, Thomas J. Petters violated his fiduciary duties to Polaroid, its creditors and other stakeholders in response to demands from Acorn Capital and in furtherance of efforts to perpetuate the fraudulent scheme. Polaroid was, in response to Acorn Capital's demands, directed to enter into agreements, incur obligations and pledge assets in favor of Acorn Capital and PAC Funding to cover obligations for which Polaroid received no or inadequate consideration.

15. The transactions, agreements, and transfers that inured to the benefit of Acorn Capital and its investors were made in furtherance of the fraudulent scheme for no or less than fair value to Polaroid and resulted in substantial injury to the Polaroid companies and their creditors.

16. The Ponzi scheme, which is one of the largest investment frauds in the history of the State of Minnesota, ultimately collapsed shortly after Acorn Capital and other investors inequitably extracted value from Polaroid.

17. Thomas J. Petters was arrested in September of 2008 by federal authorities. A federal grand jury has handed down a 20-count indictment accusing him of engaging in an extensive fraud scheme involving billions of dollars. The criminal charges include multiple counts of wire and mail fraud, conspiracy and money laundering arising out of the investment scheme. PGW and one or more other Petters entities have been similarly charged with crimes and are viewed by the government as central to the fraud allegations that involve a financial web of transactions flowing across the Petters' empire. Other business associates of Thomas J. Petters have entered guilty pleas arising from their involvement.

18. Polaroid seeks, among other things, the avoidance and recovery of liens and other assets of Polaroid fraudulently and preferentially transferred at the direction of Acorn Capital and Thomas J. Petters shortly before the commencement of the Bankruptcy Cases and the disallowance, the subordination and/or recharacterization of claims against the PC and PCE bankruptcy estates.

19. The liens and claims that Acorn Capital asserts, or may assert, in the Bankruptcy Cases are subject to bona fide dispute. Polaroid brings this Adversary Proceeding pursuant to §§ 105, 502, 506, 510(c), 544(b), 547, 548, 550, 551 and 1107 of the Bankruptcy Code and Bankruptcy Rule 7001 et seq., the Minnesota Uniform Fraudulent Transfer Act, codified at Minn. Stat. § 513.41 et seq., and if the Court should determine that this action is governed by the laws of other states, Acorn Capital has violated the fraudulent transfer laws of those other states, and other applicable law, to, among other things, (i) set aside, avoid and recover certain fraudulent and preferential transfers made and obligations incurred to or for the benefit of Acorn

Capital and void liens; (ii) declare that the agreements executed by Thomas J. Petters on behalf of Polaroid in favor of Acorn Capital and PAC Funding and obligations incurred were in breach of fiduciary duties and null and void or otherwise unenforceable; and (iii) disallow, recharacterize and/or subordinate any claims Acorn Capital asserts or may assert against the bankruptcy estates, on its own account or on account of any other party, to the claims of Polaroid's general creditors.

FACTUAL BACKGROUND

Acorn Capital/PAC Funding Credit Transactions

20. On or about November 1, 2004, Acorn Capital entered into certain credit transactions with PAC Funding, LLC, a Delaware limited liability company that is a wholly-owned subsidiary of Petters Company, Inc. (an entity owned and formerly controlled by Thomas J. Petters commonly known as "PCI").

21. Pursuant to the terms and conditions of a Credit Agreement (the "Credit Agreement") and other documents, agreements and instruments delivered by PAC Funding in connection therewith (the "Loan Documents"), Acorn Capital agreed to make loans to PAC Funding as part of an initial commitment of up to \$200,000,000.00. A true and correct copy of the Credit Agreement is attached hereto as Exhibit A and made a part hereof.

22. The obligations of PAC Funding under the Credit Agreement and other Loan Documents appeared to be secured by all, or substantially all, of the assets PAC Funding (including inventory and accounts receivable) pursuant to the terms of a security agreement (the "PAC Funding Security Agreement") and the personal guaranty of Thomas J. Petters of up to a maximum of \$50,000,000.00 (the "Petters Guaranty"). A true and correct copy of the PAC Funding Security Agreement and the Petters Guaranty are attached hereto as Exhibit B and Exhibit C, respectively, and made a part hereof.

23. On or about December 22, 2005, Acorn Capital and PAC Funding amended the Credit Agreement to, among other things, renew the loans and extend the commitment period (the “First Amendment”). A true and correct copy of the First Amendment is attached hereto as Exhibit D and made a part hereof.

24. On or about September 6, 2006, Acorn Capital and PAC Funding further amended the Credit Agreement to, among other things, increase the commitment amount under the credit facility to \$217,000,000.00 (the “Second Amendment”). A true and correct copy of the Second Amendment is attached hereto as Exhibit E and made a part hereof.

25. On or about November 14, 2006, Acorn Capital and PAC Funding further amended the Credit Agreement to, among other things, increase the commitment amount under the credit facility to \$250,000,000.00 and to renew the loans and further extend the commitment period pursuant to terms of that certain letter agreement (the “November Letter Agreement Amendment”). A true and correct copy of the November Letter Agreement Amendment is attached hereto as Exhibit F and made a part hereof.

26. On or about December 26, 2006, Acorn Capital and PAC Funding further amended the Credit Agreement to, among other things, renew the loans and further extend the commitment period pursuant to the terms of that certain letter agreement (the “December Letter Agreement Amendment”). A true and correct copy of the December Letter Agreement Amendment is attached hereto as Exhibit G and made a part hereof.

27. On or about January 19, 2007, Acorn Capital and PAC Funding further amended the Credit Agreement to, among other things, renew the loans and further extend the commitment period (the “Third Amendment”). A true and correct copy of the Third Amendment is attached hereto as Exhibit H and made a part hereof.

28. On or about October 29, 2007, Acorn Capital and PAC Funding further amended the Credit Agreement to, among other things, increase the commitment amount under the credit facility to \$300,000,000.00 and to renew the loans and further extend the commitment period (the "Fourth Amendment"). A true and correct copy of the Fourth Amendment is attached hereto as Exhibit I and made a party hereof.

29. Polaroid was not a party to any of the above agreements or amendments among Acorn Capital, PAC Funding and Thomas J. Petters.

Discovery of Fraud

(February 29, 2008)

30. Upon information and belief, Acorn Capital discovered at some point prior to February 29, 2008 that there were a number of material defaults under the Credit Agreement with PAC Funding, including potential fraudulent misrepresentations by PAC Funding and/or Thomas J. Petters with respect to, among other things, the existence, quality and amount of accounts receivable and other assets owned by PAC Funding and that served as collateral for the substantial loans previously advanced by Acorn Capital under the Credit Agreement.

31. On February 29, 2008, Acorn Capital, PAC Funding and Thomas J. Petters entered into a Forbearance Agreement under which the parties acknowledged the occurrence of one or more defaults under the Credit Agreement (the "Forbearance Agreement"). A true and correct copy of the Forbearance Agreement is attached hereto as Exhibit J and made a part hereof.

32. Pursuant to the terms and conditions of the Forbearance Agreement, PAC Funding and Thomas J. Petters were required to provide Acorn Capital with evidence that PAC Funding was the legal owner of at least \$112,000,000.00 worth of accounts receivable in respect

of which Bostcov's Department Store, LLC and Sam's Club, a division of Wal-Mart Stores, Inc., were account debtors.

33. Pursuant to the terms and conditions of the Forbearance Agreement, Acorn Capital also required Thomas J. Petters to cause Polaroid to execute and deliver a promissory note in the principal amount of \$15,000,000.00 in favor of PAC Funding, with a maturity date of 45 days from the date of issuance, and an interest note of 14.5% per annum, as a condition precedent to the Acorn Capital forbearance (the "Original Polaroid Note"). The Original Polaroid Note was executed by Thomas J. Petters. A true and correct copy of the Original Polaroid Note dated February ____, 2008 marked "CANCELLED" is attached hereto as Exhibit K and made a part hereof.

34. As required by Acorn Capital under the Forbearance Agreement, Thomas J. Petters caused Polaroid to deliver a security agreement in favor of PAC Funding in connection with the Original Polaroid Note (the "PAC Funding/Polaroid Security Agreement") under which PC and PCE purportedly pledged and granted PAC Funding a security interest in all their respective interests in inventory and accounts, to the extent located in the United States, and related proceeds in order to secure undefined obligations. A true and correct copy of the PAC Funding/Polaroid Security Agreement dated February 29, 2008 is attached hereto as Exhibit L and made a part hereof. Thomas J. Petters executed the PAC Funding/Polaroid Security Agreement on behalf of PAC Funding and Polaroid. According to the terms imposed by Acorn Capital, any security interest represented by the PAC Funding/Polaroid Security Agreement was subject and subordinated to the lien purportedly granted by Polaroid to Acorn Capital pursuant to a separate security agreement between Acorn Capital and Polaroid that was delivered in connection with the Forbearance Agreement and that purportedly pledged identical collateral (inventory and accounts located in the United States) in order to secure certain obligations

defined therein, including the purported loans of PAC Funding to Acorn Capital that were likely in excess of \$281,000,000 (the “Acorn Capital/Polaroid Security Agreement”). A true and correct copy of the Acorn Capital/Polaroid Security Agreement dated February 29, 2008 is attached hereto as Exhibit M and made a part hereof. Thomas J. Petters executed the Acorn Capital/Polaroid Security Agreement on behalf of Polaroid. Acorn Capital filed one or more financing statements covering the security interests granted by Polaroid under the Acorn Capital/Polaroid Security Agreement with offices of the Delaware Secretary of State on or about February 29, 2008.

(April 9, 2008)

35. On April 9, 2008, Acorn Capital and PAC Funding coordinated a wire transfer transaction under which PC remitted funds purportedly represented by the antecedent Original Polaroid Note between Polaroid and PAC Funding. PC effectuated a wire transfer of \$15,271,500.00 on April 9, 2008 to or for the account of PAC Funding, and/or an insider or affiliate thereof, and such funds were subsequently wire-transferred to Acorn Capital (the “Preferential Wire Transfer”). The funds represented by the Preferential Wire Transfer were delivered prior to the maturity date of the antecedent Original Polaroid Note.

(April 18, 2008)

36. On April 18, 2008, the Original Polaroid Note between PAC Funding and Polaroid was cancelled, superseded and replaced with a new promissory note in the principal amount of \$10,000,000.00 (the “New Polaroid Note”). A true and correct copy of the New Polaroid Note is attached hereto as Exhibit N and made a part hereof.

37. In connection with the New Polaroid Note, Acorn Capital required Polaroid to execute and deliver an amended and restated security agreement that, among other things, imposed additional obligations upon Polaroid, which obligations were purportedly secured by

inventory and accounts located in the United States and related proceeds (the “Amended and Restated Acorn Capital/Polaroid Security Agreement”). The Amended and Restated Acorn Capital/Polaroid Security Agreement purported to secure, in addition to the obligations represented by the New Polaroid Note, all other obligations owed by PAC Funding to Acorn Capital that could likely be in excess of \$281,000,000 for which Polaroid derived no or inadequate benefit. A true and correct copy of the Amended and Restated Acorn Capital/Polaroid Security Agreement dated April 18, 2008 is attached hereto as Exhibit O and made a part hereof. Acorn Capital similarly required Polaroid and PAC Funding to amend and restate the PAC Funding/Polaroid Security Agreement (the “Amended and Restated PAC Funding/Polaroid Security Agreement”). A true and correct copy of the Amended and Restated PAC Funding/Polaroid Security Agreement is attached hereto as Exhibit P and made a part hereof.

(May 12, 2008)

38. Upon information and belief, Acorn Capital, in the course of its due diligence, knew at some point prior to May 12, 2008 that the obligations owed by PAC Funding to Acorn Capital under the Credit Agreement in connection with hundreds of millions of dollars of loans were not sufficiently secured with collateral and that the prospect of repayment by PAC Funding of its substantial obligations under the Loan Documents was doubtful or otherwise in serious jeopardy. Polaroid and its businesses and assets were used by Acorn Capital and Thomas J. Petters to secure the substantial debt owed Acorn Capital by PAC Funding.

39. Acorn Capital capitalized on the information that it had garnered and, upon information and belief, leveraged that information and its position with Thomas J. Petters to extract value from the Polaroid business directly or indirectly owned and controlled by him in

furtherance of individual interests and imposed substantial obligations for which no or inadequate corresponding benefit was conferred.

40. On May 12, 2008, Acorn Capital and PAC Funding entered into a Fifth Amendment to the Credit Agreement (the "Fifth Amendment") and other agreements in order to address the outstanding defaults and provide a mechanism for the repayment of all the multi-million dollar loan obligations owed by PAC Funding to Acorn Capital for which Polaroid derived no or inadequate benefit and/or the performance by PAC Funding of certain agreements (the "PAC Funding Obligations"). A true and correct copy of the Fifth Amendment is attached hereto as Exhibit Q and made a part hereof.

41. In connection with the Fifth Amendment and in furtherance thereof, Acorn Capital required Thomas J. Petters, on behalf of Polaroid, to execute and deliver additional security agreements and other instruments in order to, among other things, purportedly further secure various obligations, including PAC Funding Obligations. On May 12, 2008, Thomas J. Petters caused Polaroid to execute and deliver a Second Amended and Restated Security Agreement in favor of Acorn Capital (the "Second Amended and Restated Acorn Capital/Polaroid Security Agreement") under which Polaroid purported to incur certain obligations and pledge to Acorn Capital all of its right, title and interest in inventory and accounts located in the United States as well as valuable intellectual property rights, including Polaroid trademarks and related rights in North America (i.e. United States, Canada and Mexico). A true and correct copy of the Second Amended and Restated Acorn Capital/Polaroid Security Agreement is attached hereto as Exhibit R and made a part hereof. Acorn Capital filed one or more financing statements covering the security interests granted by Polaroid under the Acorn Capital/Polaroid Security Agreement with offices of the Delaware Secretary of State on or about May 13, 2008. In order to further secure the intellectual property rights that were for the

first time purportedly pledged to Acorn Capital on May 12, 2008, Thomas J. Petters caused Polaroid to execute and deliver an additional security instrument for filing with the United States Patent and Trademark Office entitled “Grant of Security Interest in Trademarks,” a true and correct copy of the which is attached hereto as Exhibit S and made a part hereof (the “Trademark Assignment”). The Trademark Assignment was recorded with the United States Patent and Trademark Office on or about May 13, 2008.

42. Thomas J. Petters caused Polaroid to execute and deliver a First Amendment to Promissory Note and Security Agreement in favor of PAC Funding on or about May 12, 2008 in connection with the Fifth Amendment (the “PAC First Amendment”). A true and correct copy of the PAC First Amendment is attached hereto as Exhibit T and made a part hereof.

43. The Fifth Amendment, the Second Amended and Restated Acorn Capital/Polaroid Agreement, the Trademark Assignment, the PAC First Amendment as well as any and all related and predecessor documents (including any and all financing statements and other documents referenced in earlier paragraphs of this Complaint) delivered in favor of or for the benefit of Acorn Capital (collectively, with any amendments, restatements or modifications of any of the foregoing, the “Acorn Capital Collateral Documents”) inappropriately attempt to set forth a comprehensive compelled structure for repaying and collateralizing certain obligations owed by PAC Funding, including unsecured or undersecured PAC Funding Obligations, with current and future assets owned by Polaroid. The Acorn Capital Collateral Documents purport to, among other things, impose guaranty liability and other related obligations upon Polaroid, harness licensing revenues and collateralize hundreds of millions of dollars of indebtedness associated with the business transactions between Acorn Capital, Thomas J. Petters and PAC Funding. Any and all assignments, security interests, liens, claims, encumbrances, conveyances, pledges, guaranties, transfers and/or obligations, in whole or in part, of any kind set forth in and/or

contemplated by the Acorn Capital Collateral Documents (including, without limitation, any and all payments or other consideration realized or collected by Acorn Capital in connection with the exercise of any rights, remedies or privileges under any of the foregoing) are collectively referred to in this Complaint as the “Fraudulent Transfers.”

44. Polaroid received no or inadequate benefit in exchange for the Fraudulent Transfers.

45. Upon information and belief, the Acorn Capital Collateral Documents executed and delivered by Thomas J. Petters on behalf of Polaroid to Acorn Capital prior to or in connection with the PAC Funding transactions were part and parcel of a continuing scheme and conspiracy to defraud legitimate creditors and investors of Polaroid. The agreements and transactions were designed to extract value from Polaroid for the exclusive benefit of Acorn Capital and its investors at the expense of Polaroid, its creditors and other constituencies.

46. On or about August 12, 2008 (approximately 90 days after the most recent UCC filings), after acquiring the benefit of various fraudulent transfers consisting of pledges, guaranties, security interests, encumbrances and other self-dealing covenants a short time earlier, Acorn Capital declared a default and accelerated all amounts due in connection with the various loans and other PAC Funding Obligations. A true and correct copy of the notice of default and demand letter delivered by Acorn Capital to PAC Funding is attached hereto as Exhibit U and made a part hereof. Acorn subsequently took steps in furtherance of the secured position transferred to it as part and parcel of the fraudulent transactions by attempting to collect Polaroid accounts receivable directly from Polaroid customers.

47. The existence of and obligations imposed under the Acorn Capital Collateral Documents and efforts undertaken by Acorn Capital to exercise its rights thereunder have

impaired Polaroid's ability to obtain third-party financing for operations and contributed substantially to the current bankruptcy filing.

The Receivership

48. On or about September 24, 2008, the Federal Bureau of Investigation ("FBI"), together with the Internal Revenue Service – Criminal Investigation Division ("IRS") and the United States Postal Inspection Service ("USPI"), based upon claims made of fraud or other wrongdoing on the part of Thomas J. Petters, executed a search warrant and seized records relating to certain entities owned by him, and other employees allegedly involved in a fraudulent Ponzi scheme. On October 3, 2008, Thomas J. Petters was arrested on charges of mail and wire fraud, money laundering, and conspiracy. Other executives implicated in this scheme have also been arrested on various charges and have pled guilty to certain crimes.

49. On October 6, 2008, the Honorable Ann D. Montgomery, United States District Court, District of Minnesota, issued an Order that, among other things, appointed Douglas A. Kelley as Receiver for PAC Funding and other debtors (the "Receiver") in a matter identified as Civil No. 08-5348 (ADM/JSM). Pursuant to that Order, and subsequent orders that have been entered, the Receiver has been vested with the authority to manage and take possession of property, assets and estates belonging to or in the possession, custody or under the control of the entities under the receivership.

50. On October 17, 2008, the Receiver, acting in accordance with the authority conferred upon him by the United States District Court, filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code for PAC Funding, BKY Case No. 08-45371, and other affiliated companies for the purpose of preserving value and the status quo, analyzing accounting records, investigating various transactions, transfers and dealings with creditors and, where appropriate, pursuing potential claims.

51. On December 1, 2008, Thomas J. Petters, PCI and PGW were indicted by a federal grand jury on charges of: (i) mail fraud, (ii) wire fraud, (iii) conspiracy to commit mail fraud and wire fraud, (iv) money laundering, and (v) conspiracy to commit money laundering, in violation of 18 U.S.C. §§ 371, 1343, 1956, and 1957. See Indictment, Doc. No. 75, *U.S.A. v. Petters et al.*, Case No. 08-cr-00364 (RHK-AJB) (D. Minn.). The indictment alleges that Petters used PCI and PGW, as well as their subsidiary entities, to orchestrate a massive Ponzi scheme to defraud investors out of more than \$3 billion.

52. The transactions and agreements surrounding the Preferential Wire Transfer and the Fraudulent Transfers represent part and parcel of a continuing fraudulent investment scheme and conspiracy and are properly avoidable for the benefit of the Debtors and other legitimate stakeholders. The transfers made and obligations incurred were the result of inequitable conduct on the part of Acorn Capital that operated to harm the Debtors and the bankruptcy estates and should be set aside and declared void.

COUNT I – FRAUDULENT TRANSFERS

Actual Fraud – 11 U.S.C. §§ 548(a)(1)(A), 550, 551 and 1107

53. Polaroid realleges and incorporates by reference the preceding paragraphs of the Complaint as if fully set forth herein.

54. The Fraudulent Transfers represent transfers that were made or obligations that were incurred with actual intent to hinder, delay or defraud a creditor to which the Debtors were or became indebted on or after the date of the Fraudulent Transfers.

55. The Fraudulent Transfers were made to or for the benefit of Acorn Capital in furtherance of a fraudulent investment scheme.

56. To the extent that Acorn Capital is not an initial transferee of the Fraudulent Transfers, it is an immediate or mediate transferee of the initial transferee of the Fraudulent

Transfers, and can not satisfy its burden that it took the Fraudulent Transfers for value or in good faith or without knowledge of the voidability of the Fraudulent Transfers.

57. As a result of the forgoing, the Debtors are entitled to judgment pursuant to Bankruptcy Code §§ 548(a)(1)(A), 550(a), 551 and 1107: (a) avoiding and preserving the Fraudulent Transfers free and clear from any claimed interest of Acorn Capital, (b) directing that the Fraudulent Transfers be set aside, (c) recovering such Fraudulent Transfers or the value thereof from Acorn Capital for the benefit of the estates of the Debtors, and (d) recovering attorneys' fees from Acorn Capital.

COUNT II – FRAUDULENT TRANSFERS

Constructive Fraud – 11 U.S.C. §§ 548(a)(1)(B), 550(a), 551 and 1107

58. Polaroid realleges and incorporates by reference the preceding paragraphs of the Complaint as if fully set forth herein.

59. At all times material hereto, the Debtors: (a) were insolvent on the dates the Fraudulent Transfers were made or became insolvent as a result of the Fraudulent Transfers, and/or (b) were engaged in businesses or transactions, or were about to engage in businesses or transactions, for which the property remaining with the Debtors after the Fraudulent Transfers were effectuated constituted unreasonably small capital, and/or (c) at the time of the Fraudulent Transfers, intended to incur, or believed that they would incur, debts that would be beyond their ability to pay as the debts matured.

60. The Debtors received less than a reasonably equivalent value in exchange for the Fraudulent Transfers.

61. To the extent that Acorn Capital is not an initial transferee of the Fraudulent Transfers, it is an immediate or mediate transferee of the initial transferee of the Fraudulent

Transfers, and can not satisfy its burden that it took the Fraudulent Transfers for value or in good faith or without knowledge of the voidability of the Fraudulent Transfers.

62. As a result of the forgoing, the Debtors are entitled to judgment pursuant to Bankruptcy Code §§ 548(a)(1)(B), 550(a), 551 and 1107: (a) avoiding and preserving the Fraudulent Transfers free and clear from any claimed interest of Acorn Capital, (b) directing that the Fraudulent Transfers be set aside, (c) recovering such Fraudulent Transfers or the value thereof from Acorn Capital for the benefit of the bankruptcy estates of the Debtors, and (d) recovering attorneys' fees from Acorn Capital.

COUNT III – FRAUDULENT TRANSFERS

Actual Fraud - 11 U.S.C. §§ 544(b), 550(a), 551 and 1107 & Minn. Stat. § 513.41 et seq. or Other Governing Fraudulent Transfer Laws

63. Polaroid realleges and incorporates by reference the preceding paragraphs of the Complaint as if fully set forth herein.

64. At all times material hereto, there was and is at least one or more creditors who held and who hold unsecured claims against the Debtors that were and are allowable under Bankruptcy Code § 502 or that were and are not allowable only under Bankruptcy Code § 502(e). The Fraudulent Transfers are avoidable under applicable nonbankruptcy law by a creditor holding an unsecured claim in the Bankruptcy Cases.

65. The Fraudulent Transfers represent transfers that were made or obligations that were incurred with actual intent to hinder, delay or defraud a creditor to which the Debtors were or became indebted on or after the date of the Fraudulent Transfers.

66. The Fraudulent Transfers were made to or for the benefit of Acorn Capital in furtherance of a fraudulent investment scheme.

67. To the extent that Acorn Capital is not an initial transferee of the Fraudulent Transfers, it is an immediate or mediate transferee of the initial transferee of the Fraudulent

Transfers, and can not satisfy its burden that it took the Fraudulent Transfers for value or in good faith or without knowledge of the voidability of the Fraudulent Transfers.

68. As a result of the forgoing, the Debtors are entitled to judgment pursuant to Bankruptcy Code §§ 544(b), 550(a), 551 and 1107, Minn. Stat. § 513.41 et seq., and if the Court should determine that this action is governed by the laws of other states, the fraudulent transfer laws of such other states: (a) avoiding and preserving the Fraudulent Transfers free and clear from any claimed interest of Acorn Capital, (b) directing that the Fraudulent Transfers be set aside, (c) recovering such Fraudulent Transfers or the value thereof from Acorn Capital for the benefit of the bankruptcy estates of the Debtors, and (d) recovering attorneys' fees from Acorn Capital.

COUNT IV – FRAUDULENT TRANSFERS

Constructive Fraud - 11 U.S.C. §§ 544(b), 550(a), 551 and 1107 & Minn. Stat. § 513.41 et seq. or Other Governing Fraudulent Transfer Laws

69. Polaroid realleges and incorporates by reference the preceding paragraphs of the Complaint as if fully set forth herein.

70. At all times material hereto, there was and is at least one or more creditors who held and who hold unsecured claims against the Debtors that were and are allowable under Bankruptcy Code § 502 or that were and are not allowable only under Bankruptcy Code § 502(e). The Fraudulent Transfers are avoidable under applicable nonbankruptcy law by a creditor holding an unsecured claim in the Bankruptcy Cases.

71. At all times material hereto, the Debtors: (a) were insolvent on the dates the Fraudulent Transfers were made or became insolvent as a result of the Fraudulent Transfers, and/or (b) were engaged in businesses or transactions, or were about to engage in businesses or transactions, for which the property remaining with the Debtors after the Fraudulent Transfers were effectuated constituted unreasonably small capital, and/or (c) at the time of the Fraudulent

Transfers, intended to incur, or believed that they would incur, debts that would be beyond their ability to pay as the debts matured.

72. The Debtors received less than a reasonably equivalent value in exchange for the Fraudulent Transfers.

73. To the extent that Acorn Capital is not an initial transferee of the Fraudulent Transfers, it is an immediate or mediate transferee of the initial transferee of the Fraudulent Transfers, and can not satisfy its burden that it took the Fraudulent Transfers for value or in good faith or without knowledge of the voidability of the Fraudulent Transfers.

74. As a result of the forgoing, the Debtors are entitled to judgment pursuant to Bankruptcy Code §§ 544(b), 550(a), 551 and 1107, Minn. Stat. § 513.41 et seq., and if the Court should determine that this action is governed by the laws of other states, the fraudulent transfer laws of such other states: (a) avoiding and preserving the Fraudulent Transfers free and clear from any claimed interest of Acorn Capital, (b) directing that the Fraudulent Transfers be set aside, (c) recovering such Fraudulent Transfers or the value thereof from Acorn Capital for the benefit of the bankruptcy estates of the Debtors, and (d) recovering attorneys' fees from Acorn Capital.

COUNT V – FRAUDULENT TRANSFERS

Insider Fraud - 11 U.S.C. §§ 544(b), 550(a), 551 and 1107 & Minn. Stat. § 513.41 et seq. or Other Governing Fraudulent Transfer Laws

75. Polaroid realleges and incorporates by reference the preceding paragraphs of the Complaint as if fully set forth herein.

76. The Preferential Wire Transfer was made by PC to or for the benefit of PAC Funding.

77. PAC Funding is an “insider” of the Debtors within the meaning of § 101 of the Bankruptcy Code.

78. The Preferential Wire Transfer was made by PC on account of an antecedent debt owed before such transfer was made.

79. At all times material hereto, there was and is at least one or more creditors who held and who hold unsecured claims against PC that were and are allowable under Bankruptcy Code § 502 or that were and are not allowable only under Bankruptcy Code § 502(e) and whose claim arose before the Preferential Wire Transfer was made and related obligations incurred. The Preferential Wire Transfer is avoidable under applicable nonbankruptcy law by a creditor holding an unsecured claim in the Bankruptcy Cases.

80. At all times material hereto, PC: (a) was insolvent on the date the Preferential Wire Transfer was made or became insolvent as a result of the Preferential Wire Transfer, and/or (b) was engaged in businesses or transactions, or was about to engage in businesses or transactions, for which the property remaining with PC after the Preferential Wire Transfer was effectuated constituted unreasonably small capital, and/or (c) at the time of the Preferential Wire Transfer, intended to incur, or believed that they would incur, debts that would be beyond its ability to pay as the debts matured, and/or (d) PAC Funding and/or Thomas J Petters had reasonable cause to believe the PC was insolvent.

81. The Debtors, including PC, received less than a reasonably equivalent value in exchange for the Preferential Wire Transfer.

82. Acorn Capital is not an initial transferee of the Preferential Wire Transfer, it is an immediate or mediate transferee of the initial transferee of the Preferential Wire Transfer, and can not satisfy its burden that it took the Preferential Wire Transfer for value or in good faith or without knowledge of the voidability of the Preferential Wire Transfer.

83. As a result of the forgoing, PC is entitled to judgment pursuant to Bankruptcy Code §§ 544(b), 550(a), 551 and 1107, Minn. Stat. § 513.41 et seq., and if the Court should

determine that this action is governed by the laws of other states, the fraudulent transfer laws of such other states: (a) avoiding and preserving the Preferential Wire Transfer, (b) directing that the Preferential Wire Transfer be set aside, (c) recovering such Preferential Wire Transfer or the value thereof from Acorn Capital for the benefit of the bankruptcy estate of PC, and (c) recovering attorneys' fees from Acorn Capital.

COUNT VI – PREFERENTIAL TRANSFER

11 U.S.C. §§ 547, 550, 551 and 1107

84. Polaroid realleges and incorporates by reference the preceding paragraphs of the Complaint as if fully set forth herein.

85. The Preferential Wire Transfer was made by PC to or for the benefit of PAC Funding, a creditor of the Debtors.

86. PAC Funding and Thomas J. Petters are each an “insider” of the Debtors within the meaning of § 101 of the Bankruptcy Code.

87. The Preferential Wire Transfer was made by PC on account of an antecedent debt owed before such transfer was made.

88. The Preferential Wire Transfer was made while PC was insolvent.

89. The Preferential Wire Transfer was made between ninety days and one year before the date of the filing of the petitions commencing the Bankruptcy Cases and PAC Funding and Thomas J. Petters were each an insider of the Debtors at the time of such Preferential Wire Transfer.

90. To the extent that Acorn Capital is not an initial transferee of the Preferential Wire Transfer, it is an immediate or mediate transferee of the initial transferee of the Preferential Wire Transfer, and cannot satisfy its burden that it took the Preferential Wire Transfer for value or in good faith or without knowledge of the voidability of the Preferential Wire Transfer.

91. The Preferential Wire Transfer enabled PAC Funding and Acorn Capital to receive more than such creditors would receive if the Bankruptcy Cases were cases under Chapter 7 of the Bankruptcy Code, the Preferential Wire Transfer had not been made and such creditors received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

92. As a result of the forgoing, PC is entitled to judgment pursuant to Bankruptcy Code §§ 547(b), 550(a), 551 and 1107: (a) avoiding and preserving the Preferential Wire Transfer free and clear from any claimed interest of Acorn Capital, (b) directing that the Preferential Wire Transfer be set aside, (c) recovering such Preferential Wire Transfer or the value thereof from Acorn Capital for the benefit of the bankruptcy estate of PC, and (c) recovering attorneys' fees from Acorn Capital.

COUNT VII – DISALLOWANCE

11 U.S.C. § 502(b) and (d)

93. Polaroid realleges and incorporates by reference the preceding paragraphs of the Complaint as if fully set forth herein.

94. To the extent that Acorn Capital asserts it is entitled to any claim in these Bankruptcy Cases, directly on its own account or indirectly by virtue of any other agreement with Thomas J. Petters, PAC Funding or any of their affiliates, such claim is unenforceable against the Debtors or the property of the Debtors under any agreement or applicable law and should be disallowed under 11 U.S.C. § 502(b).

95. Further, any claim of an entity from which property is recoverable under 11 U.S.C. § 550 or held by a transferee of a transfer that is avoided under 11 U.S.C. §§ 544, 547 or 548 shall be disallowed by the Court unless such entity or transferee has paid the amount, or turned over any such property, for which such entity or transferee is liable.

96. As a result of the foregoing, to the extent that Acorn Capital asserts it is entitled to any claim in these Bankruptcy Cases, directly on its own account or indirectly by virtue of any other agreement with Thomas J. Petters, PAC Funding or any of their affiliates, all such claims are and should be in all things disallowed.

COUNT VIII – LIEN AVOIDANCE

11 U.S.C. § 506(d)

97. Polaroid realleges and incorporates by reference the preceding paragraphs of the Complaint as if fully set forth herein.

98. To the extent that a lien secures a claim against a debtor that is not an allowed secured claim, such lien is void in accordance with 11 U.S.C. § 506(d).

99. As a result of the foregoing, declaring and ordering that any lien asserted by Acorn Capital is invalid and void.

COUNT IX – EQUITABLE SUBORDINATION

11 U.S.C. § 510(c)

100. Polaroid realleges and incorporates by reference the preceding paragraphs of the Complaint as if fully set forth herein.

101. Thomas J. Petters, in breach of his fiduciary duty to Polaroid and other Petters' companies, misused his positions to perpetuate an ongoing criminal enterprise and fraudulent conduct. The Fraudulent Transfers were designed to prop up hundreds of millions of dollars in investments in favor of Acorn Capital and disguise/perpetuate a multi-billion dollar Ponzi scheme. The circumstances surrounding the creation of the Acorn Capital Collateral Documents are exemplified by self-dealing and breaches of fiduciary duty owed to the Debtors, their creditors and other stakeholders.

102. Acorn Capital knowingly, purposefully and systematically used its leverage and information to subject Polaroid and its assets to liens, claims, encumbrances, contractual

obligations and liabilities for which Polaroid received no or inadequate value. The participation by Acorn Capital with Thomas J. Petters in such transactions, together with the substantial burdens placed on Polaroid by Acorn Capital in the Acorn Capital Collateral Documents, constitutes inequitable conduct that conferred an unfair advantage on Acorn Capital to the detriment of other stakeholders and resulted in injury to Polaroid and its creditors.

103. As a result of the foregoing, to the extent that Acorn Capital asserts it is entitled to any claim in these Bankruptcy Cases, directly on its own account or indirectly by virtue of any other agreement with Thomas J. Petters or any of his affiliates, justice demands that all such claims are and should be appropriately equitably subordinated to the claims of legitimate creditors in these Bankruptcy Cases and the Debtors hereby request that relief.

104. The equitable subordination of any such claims would be consistent with the principles and purposes of the Bankruptcy Code and its policies.

COUNT X – RECHARACTERIZATION

11 U.S.C. § 105

105. Polaroid realleges and incorporates by reference the preceding paragraphs of the Complaint as if fully set forth herein.

106. Upon information and belief, Acorn Capital may assert that it is the holder of a claim in the Bankruptcy Cases arising from certain agreements or obligations owed to Acorn Capital by virtue of transactions with Thomas J. Petters, PAC Funding or one or more of their respective affiliates. Polaroid asserts and contends that any claim that is or may be asserted in these Bankruptcy Cases by virtue of transactions or agreements that Polaroid may have, directly or indirectly, with Thomas J. Petters, PAC Funding or any of their respective affiliates are and should be properly characterized as equity investments.

107. As a result of the foregoing, to the extent that Acorn Capital asserts it is entitled to any claim in this bankruptcy case, directly on its own account or for the account of any of its investors or indirectly by virtue of any other agreement with Thomas J. Petters, PAC Funding or any of their respective affiliates, justice demands that all such claims are and should be appropriately recharacterized as equity in order to facilitate the priority scheme established by Congress in the Bankruptcy Code and the Debtor hereby requests that relief.

108. The recharacterization of any such claims would give effect to the parties' agreements and economic expectations and be consistent with the principles and purposes of the Bankruptcy Code and its policies.

COUNT XI – DECLARATORY AND OTHER RELIEF

11 U.S.C. § 105

109. Polaroid realleges and incorporates by reference the preceding paragraphs of the Complaint as if fully set forth herein.

110. The Acorn Capital Collateral Documents setting forth the Fraudulent Transfers and other provisions should be declared null, void and unenforceable due to, among other things, the fact that such transactions and agreement were imposed by Acorn Capital and executed by Thomas J. Petters under duress as part and parcel of a fraudulent scheme in which Acorn Capital does not have clean hands.

111. The Acorn Capital Collateral Documents further fail to impose contractual obligations that should be sustained due to their indefiniteness, ambiguity, vagueness and failure of consideration.

112. As a result of the foregoing, the Debtors are entitled to judgment pursuant to Bankruptcy Code § 105 declaring the Acorn Capital Collateral Documents to be in all things null, invalid, void and unenforceable.

113. The relief requested in this Count of the Complaint should be construed to also include a request for and declaration with respect to a determination as to the validity, priority and extent of a lien or other interest in property of the Debtors in accordance with Rule 7001(2) of the Federal Rules of Bankruptcy Procedure as well as a request for a declaration relative to equitable subordination and recharacterization as more fully set forth in Count IX (Equitable Subordination) and Count X (Recharacterization) of this Complaint.

WHEREFORE, Plaintiffs respectfully requests this Court enter judgment in favor of Plaintiffs and against the Defendant as follows:

A. On Count I – Fraudulent Transfers (Actual Fraud), pursuant to 11 U.S.C. §§ 548(a)(1)(A), 550, 551 and 1107: (a) avoiding and preserving the Fraudulent Transfers free and clear from any claimed interest of Acorn Capital, (b) directing that the Fraudulent Transfers be set aside, (c) recovering such Fraudulent Transfers or the value thereof from Acorn Capital for the benefit of the estates of the Debtors, and (d) recovering attorneys’ fees from Acorn Capital;

B. On Count II – Fraudulent Transfers (Constructive Fraud), pursuant to 11 U.S.C. §§ 548(a)(1)(B), 550(a), 551 and 1107: (a) avoiding and preserving the Fraudulent Transfers free and clear from any claimed interest of Acorn Capital, (b) directing that the Fraudulent Transfers be set aside, (c) recovering such Fraudulent Transfers or the value thereof from Acorn Capital for the benefit of the bankruptcy estates of the Debtors, and (d) recovering attorneys’ fees from Acorn Capital;

C. On Count III – Fraudulent Transfers (Actual Fraud), pursuant to 11 U.S.C. §§ 544(b), 550, 551 and 1107, Minn. Stat. § 513.41 et seq., and if the Court should determine that this action is governed by the laws of other states, the fraudulent transfer laws of such other states: (a) avoiding and preserving the Fraudulent Transfers free and clear from any claimed interest of Acorn Capital, (b) directing that the Fraudulent Transfers be set aside, (c) recovering

such Fraudulent Transfers or the value thereof from Acorn Capital for the benefit of the bankruptcy estates of the Debtors, and (d) recovering attorneys' fees from Acorn Capital;

D. On Count IV – Fraudulent Transfers (Constructive Fraud), pursuant to 11 U.S.C. §§ 544(b), 550, 551 and 1107, Minn. Stat. § 513.41 et seq., and if the Court should determine that this action is governed by the laws of other states, the fraudulent transfer laws of such other states: (a) avoiding and preserving the Fraudulent Transfers free and clear from any claimed interest of Acorn Capital, (b) directing that the Fraudulent Transfers be set aside, (c) recovering such Fraudulent Transfers or the value thereof from Acorn Capital for the benefit of the bankruptcy estates of the Debtors, and (d) recovering attorneys' fees from Acorn Capital;

E. On Count V – Fraudulent Transfers (Insider Fraud), pursuant to 11 U.S.C. §§ 544(b), 550, 551 and 1107, Minn. Stat. 513.41 et seq., and if the Court should determine that this action is governed by the laws of other states, the fraudulent transfer laws of such other states: (a) avoiding and preserving the Preferential Wire Transfer free and clear from any claimed interest of Acorn Capital, (b) directing that the Preferential Wire Transfer be set aside, (c) recovering such Preferential Wire Transfer or the value thereof from Acorn Capital for the benefit of the bankruptcy estates of the Debtors, and (d) recovering attorneys' fees from Acorn Capital;

F. On Count VI – Preferential Transfer, pursuant to 11 U.S.C. §§ 547, 550, 551 and 1107: (a) avoiding and preserving the Preferential Wire Transfer free and clear from any claimed interest of Acorn Capital, (b) directing that the Preferential Wire Transfer be set aside, (c) recovering such Preferential Wire Transfer or the value thereof from Acorn Capital for the benefit of the bankruptcy estate PC, and (d) recovering attorneys' fees from Acorn Capital;

G. On Count VII – Disallowance, pursuant to 11 U.S.C. § 502(b) and (d): declaring and ordering that, to the extent that Acorn Capital asserts it is entitled to any claim in these

Bankruptcy Cases, directly on its own account or indirectly by virtue of any other agreement with Thomas J. Petters or any of his affiliates, all such claims are in all things disallowed;

H. On Count VIII – Lien Avoidance, pursuant to 11 U.S.C. § 506(d): declaring and ordering that any lien asserted by Acorn Capital is invalid and void;

I. On Count IX – Equitable Subordination, pursuant to 11 U.S.C. § 510(c): declaring and ordering that, to the extent that Acorn Capital asserts it is entitled to any claim in these Bankruptcy Cases, directly on its own account or indirectly by virtue of any other agreement with Thomas J. Petters or any of his affiliates, all such claims are and should be appropriately equitably subordinated to the claims of creditors in these Bankruptcy Cases;

J. On Count X – Recharacterization, pursuant to 11 U.S.C. § 105: declaring and ordering that to the extent Acorn Capital asserts it is entitled to any claim in the Bankruptcy Cases, directly on its own account or for its investors' account or indirectly by virtue of any agreement with Thomas J. Petters, PAC Funding, LLC or any of their respective affiliates, all such claims are and should be appropriately recharacterized as equity in the Bankruptcy Cases;

K. On Count XI – Declaratory and Other Relief, pursuant to 11 U.S.C. § 105: declaring and ordering the Acorn Capital Collateral Documents to be null, void, invalid and unenforceable and granting further declaratory relief;

L. Awarding Plaintiffs all applicable interest (including prejudgment and postjudgment interest), attorneys' fees, costs and disbursements in this action; and

M. Granting Plaintiffs such other, further and different relief as the Court deems just, proper and equitable.

DATED: February 12, 2009

LINDQUIST & VENNUM P.L.L.P.

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