

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re:

**Jointly Administered under
Case No. 08-45257**

Petters Company, Inc., et al.,

Court File No. 08-45257

Debtors.

Court Files No.'s:

(includes:

Petters Group Worldwide, LLC;

08-45258 (GFK)

PC Funding, LLC;

08-45326 (GFK)

Thousand Lakes, LLC;

08-45327 (GFK)

SPF Funding, LLC;

08-45328 (GFK)

PL Ltd., Inc.;

08-45329 (GFK)

Edge One LLC;

08-45330 (GFK)

MGC Finance, Inc.;

08-45331 (GFK)

PAC Funding, LLC;

08-45371 (GFK)

Palm Beach Finance Holdings, Inc.)

08-45392 (GFK)

Chapter 11 Cases
Judge Gregory F. Kishel

APPLICATION TO EMPLOY NEAL, GERBER & EISENBERG LLP

1. Petters Group Worldwide, LLC (“**PGW**” or “**Debtor**”) respectfully applies to the Court for entry of an order authorizing the employment of Neal, Gerber & Eisenberg LLP (“**Neal Gerber**”) as an ordinary course professional to continue to provide legal services relating to the intellectual property assets (“**IP**”) of PGW.

2. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334, Bankruptcy Rule 5005 and Local Rule 1070-1. This is a core proceeding. The petition commencing the Chapter 11 case of PGW was filed on October 11, 2008 (the “**Case**”). Venue of this case is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. The Case is now pending before this Court.

3. This Application arises under 11 U.S.C. §§ 327, 328 and 330 and Federal Rules of Bankruptcy Procedure 2014 and 2016. This Application is filed under Local Rules 2014-1, 2016-1 and 9013-4. Polaroid seeks an order authorizing the continued employment of Neal Gerber pursuant to § 327(b) and (e) of Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”) of as ordinary course special counsel to represent and advise PGW as to the registration, management, licensing and disposition of its IP.

BACKGROUND

4. Debtors filed voluntary petitions for relief pursuant to Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”). . A committee of unsecured creditors (the “**Committee**”) was appointed for the above-captioned debtors on November 21, 2008 pursuant to § 1102 of the Bankruptcy Code. On December 24, 2008, the United States Trustee appointed Douglas A. Kelley as Trustee (“**Trustee**”) in these jointly administered Cases. On February 26, 2009, the Court issued an order approving that appointment. The Trustee continues to operate this businesses pursuant to § 1108 of the Bankruptcy Code

5. Petters Company, Inc., incorporated in 1994, is a Minnesota corporation, the shares of which are owned and controlled 100% by Thomas J. Petters (“**Petters**”). PCI, in turn, is the sole member and owns 100% of the membership interests of PC Funding, Thousand Lakes, SPF Funding, PL Ltd., Edge One and MGC Finance, and PAC Funding. The operations and management decisions of PCI and its subsidiary entities were all conducted at the company’s headquarters, located at 4400 Baker Road, Minnetonka, Minnesota. PCI served as a venture capital arm of the Petters enterprises, utilizing single purpose entities to obtain billions of dollars of funding, and purportedly to acquire merchandise for sale to wholesalers and retailers nationwide, which purchase and sale business may have not ever existed.

6. Petters Group Worldwide, LLC, formed in 2001, is a privately held Delaware

limited liability company. It is also owned 100% by Petters. The management decisions of PGW and its subsidiary entities were conducted at the company's headquarters, located at 4400 Baker Road, Minnetonka, Minnesota (collectively, the "**Petters Headquarters**"). PGW has investments in companies worldwide, which include 100% ownership of Polaroid (products include cameras, PoGoTM printers, LCD TVs, portable DVD players), among others. PGW obtained funding from investors/lenders and from PCI.

7. 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**") executed a search warrant on the Petters Headquarters at 4400 Baker Road, Minnetonka, Minnesota, and seized records of PCI, PGW, sole owner Petters, and other employees allegedly involved in a fraudulent Ponzi scheme. On October 3, 2008, 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 pleaded guilty to certain crimes.

8. 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.

9. As a result of the investigation and arrests, numerous other employees terminated their employment with the Debtors, including the main law firm providing overall corporate counsel, the two senior in-house counsels, the CEO, the CFO, and others with knowledge of the

financial transactions among the several Debtors and with outside lenders and creditors. In addition, several lenders have commenced actions against the Debtors in several courts, both in Minnesota as well as in other states.

10. As a result of the investigation, subsequent arrests and litigation by numerous creditors, Debtor sought relief under Chapter 11 of the Bankruptcy Code in order to reorganize and/or preserve their operations and ongoing management as well as sales of its subsidiaries and their respective assets.

RELIEF REQUESTED

11. PGW owns and controls several patents and trademarks. Prior to the petition date, PGW utilized the legal services, experience and advice of Neal Gerber pertaining to such IP assets, including patent counseling, trademark and domain name registration, maintenance and disposition of its IP. By this Application, the Trustee seeks to retain Neal Gerber as ordinary course counsel relating to PGW's IP assets during the pendency of this Case.

12. The Trustee believes that its best interest will be served by retaining Neal Gerber to represent and advise it as to its IP assets. Neal Gerber is a highly respected and recognized law firm with approximately 200 experienced attorneys spanning 23 practice groups and whose client base reflects virtually every business industry, including a number of Fortune 100 companies.

13. Neal Gerber has worked with PGW prior to the petition date with respect to IP assets and is familiar with PGW's IP assets. Neal Gerber is agreeable to continuing to perform such services according to the terms in effect between the parties prior to the petition date. The Trustee believes that Neal Gerber's retention will not be duplicative of services being provided by other firms in these cases, and in fact believes that such continuity will be beneficial to the estate and its creditors.

14. The Trustee has reviewed the Unsworn Declaration of Thomas C. Wolford and believes that neither Neal Gerber nor any of its employees have any adverse connection with PGW, the United States Trustee and any employees of the United States Trustee, creditors of PGW or any other party in interest.

15. To the best of Trustee's knowledge, Neal Gerber is a disinterested person as that term is defined in § 101(14) of the Bankruptcy Code, and does not hold or represent any interest adverse to PGW with respect to matters upon which it is to be engaged. Neal Gerber has received no compensation from any party in connection with this case. In the event the United States Trustee, the Court, or other party in interest is concerned that Neal Gerber is not "disinterested," the Trustee requests that a hearing be scheduled.

16. Compensation to Neal Gerber will be based on the hourly rates of the attorneys representing and advising PGW, plus reimbursement of actual, necessary expenses. Pursuant to Section 9(c) of this Court's Instructions for Filing a Chapter 11 Case the ("**Instructions**"), Neal Gerber shall submit regular monthly invoices detailing the services rendered to the Trustee and the actual and necessary costs incurred by Neal Gerber in representing the Trustee. By this Application, the Trustee seeks authorization to pay up to 80% of such fees and 100% of costs upon submission to and approval of an appropriate invoice providing sufficient detail as to the nature of services rendered and disbursements actually incurred. A copy of each such invoice will also be simultaneously submitted by Neal Gerber to the United States Trustee's office. Payment of such invoices shall be subject to the prior approval of the Court in accordance with Sections 330 and 331 of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules, and any orders of this Court.

WHEREFORE, the Trustee respectfully requests an order approving the employment of Neal, Gerber & Eisenberg LLP as ordinary course IP legal counsel and authorization to pay Neal

Gerber's fees and expenses in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Rules and any other orders of this Court.

DATED: May 7, 2009

Douglas A. Kelley, Trustee

By: Douglas A. Kelley

IN THE UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

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

PETTERS COMPANY, INC., et al.

Debtors.

(includes:

Petters Group Worldwide, LLC;

08-45258(GFK)

PC Funding, LLC;

08-45326 (GFK)

Thousand Lakes, LLC;

08-45327 (GFK)

SPF Funding, LLC;

08-45328 (GFK)

PL Ltd., Inc.;

08-45329 (GFK)

Edge One LLC;

08-45330 (GFK)

MGCC Finance, Inc.;

08-45331 (GFK)

PAC Funding, LLC;

08-45371 (GFK)

Palm Beach Finance Holdings, Inc.)

08-45392 (GFK)

Chapter 11

Judge Gregory F. Kishel

DECLARATION OF THOMAS C. WOLFORD

Thomas C. Wolford, upon first being duly sworn under oath, deposes and states as follows:

1. I am an attorney of legal age. I am a partner in Neal, Gerber & Eisenberg LLP (“NGE”) located at Two North LaSalle Street, Suite 1700, Chicago, IL 60602.

2. I am competent to testify to the matters contained within this Affidavit to my personal knowledge, and if called to testify in any matter with respect to the information provided herein, I would so testify.

3. The above-captioned Debtors have retained NGE to act as an Ordinary Course Professional for various intellectual property, licensing and related matters.

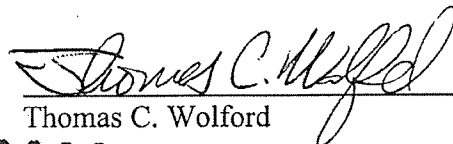
4. NGE currently represents the Debtors in connection with various intellectual property matters. The Debtor owed NGE approximately \$44,054.21 in fees and expenses for invoices issued as of the Petition Date and \$714.00 for services performed since the Petition Date.

5. Other than as disclosed herein, to the best of my knowledge, information and belief, neither NGE nor any member thereof holds any interest or represents any interest adverse to the Debtor or to its bankruptcy estate with respect to the intellectual property, licensing and related matters on which NGE is to be employed.

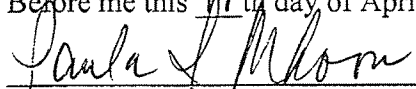
6. NGE understands that it may be compensated only in accordance with the terms of the January 8 Order and related requirements of the Bankruptcy Code and applicable Bankruptcy and Local Rules.

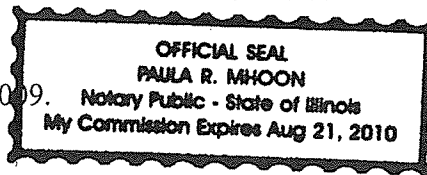
7. Pursuant to Section 504 of the Bankruptcy Code, the undersigned states that no agreement or understanding exists between NGE and any other person for a division of compensation received or to be received herein. No division of compensation shall be made except as provided in Section 504, and no agreement, expressed or implied, has been or will be entered into with the Debtor, a creditor, or representative of any of them, or attorney for any party in interest, for the purpose of fixing of fees and other compensation to be paid to any party in interest or to any attorney or any other party in interest, or to any person for services rendered in connection therewith from the assets of the estate, that is contrary to the provisions of the Bankruptcy Code.

FURTHER AFFIANT SAYETH NAUGHT.


Thomas C. Wolford

Subscribed and Sworn to
Before me this 17th day of April, 2009.


Notary Public



NGEDOCS: 1621907.1

**UNITED STATES BANKRUPTCY COURT
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**ORDER AUTHORIZING THE EMPLOYMENT OF NEAL, GERBER & EISENBERG
LLP**

Upon the Application by the Trustee of Petters Group Worldwide, LLC (“PGW”) to employ Neal, Gerber & Eisenberg LLP (“Neal Gerber”) in these Chapter 11 Cases, it appearing necessary and appropriate for the PGW to be represented by Neal Gerber in this Case,

IT IS HEREBY ORDERED:

1. The employment of Neal Gerber, as special counsel for PGW in connection with the matters described in the Application, and on the terms described in the Application, is approved.

2. Neal Gerber shall submit regularly monthly bills to the Trustee and the Trustee is

authorized to pay 80% of Neal Gerber's fees and 100% of expenses pending court approval of such fees and expenses pursuant to the procedures in Instruction 9(c) of this Court's published Instructions for Filing a Chapter 11 Case.

3. Fee applications by Neal Gerber in this Case may be heard on 90-day intervals and are subject to the provisions of 11 U.S.C. §§ 328 and 330 and Local Rules 2016-1.

Dated: _____

Gregory F. Kishel
United States Bankruptcy Judge

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

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CERTIFICATE OF SERVICE

Gretchen Luessenheide of the City of New Hope, County of Hennepin, State of Minnesota, being first duly sworn on oath, states that on May 7, 2009 she served the following documents:

1. Application to Employ Neal, Gerber & Eisenberg LLP;
2. Declaration of Thomas C. Wolford;
3. Proposed Order Authorizing the Employment of Neal, Gerber & Eisenberg LLP

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

/e/ Gretchen Luessenheide
Gretchen Luessenheide