

**PURIFIED RENEWABLE ENERGY, LLC  
BIDDING PROCEDURES FOR 11 U.S.C. § 363 BANKRUPTCY AUCTION**

**A. Introduction and Background**

Purified Renewable Energy, LLC (the “Debtor”) is debtor and debtor in possession in Chapter 11 Case No. 13-41446, pending in the United States Bankruptcy Court for the District of Minnesota (the “Bankruptcy Court”). The Bankruptcy Court has authorized the Debtor to conduct an auction sale (“Auction”) of substantially all of the assets of the Debtor (the “Sale Assets”) subject to the terms and conditions and in accordance with the process and procedures set forth herein (“Bidding Procedures”).

The marketing process for the Sale Assets leading up to and including the Auction will be managed by IR1 Group, LLC (“IR1”) as sales agent of the Debtor. A description of the Sale Assets is described herein and will be described in greater detail in marketing materials to be prepared by IR1 and made available to interested parties who sign confidentiality agreements.

**B. Key Dates**

The key dates for the sale process are as follows:

- May 30, 2013 .....Hearing to approve Bidding Procedures Motion
- July 15, 2013 ..... West Ventures Credit Bid Deadline
- July 31, 2013 at 3:00 p.m. Central Time ..... General Bid Deadline
- August 8, 2013 ..... Auction
- August 13, 2013 ..... Sale Approval Hearing

The key dates in the sale process may be extended by the Debtor for good cause in consultation with IR1 and the Committee, provided that the dates may not be extended without the consent of West Ventures, LLC (except for the General Bid Deadline which may be extended until August 5, 2013 without such consent), and provided further that the Bankruptcy Court may for cause also extend any of the foregoing dates.

**C. Conditions for Potential Bidders to Participate in Due Diligence**

To participate in the sale process as a potential purchaser, conduct due diligence upon the Sale Assets and be entitled to submit a bid for consideration hereunder, a party (each, a “Prospective Bidder”) must deliver to IR1 a signed confidentiality agreement reasonably satisfactory to IR1 and the Debtor.

**D. Due Diligence**

Prospective Bidders complying with the above requirements shall be offered the opportunity by the Debtor and IR1 to conduct reasonable due diligence until the day preceding the Bid Deadline.

**E. General Bid Deadline**

The general deadline for Prospective Bidders to submit Qualified Bids (as defined below) is the Bid Deadline set forth in Section B. All Bids must be submitted to the Debtor, c/o IR1 Group, LLC, 736 Whalers Way, Building G, Suite 100, Fort Collins, Colorado 80525 (Attn: Jeff Manternach, jeffm@ir1group.com) and to Fredrikson & Byron, P.A., 200 South Sixth Street, Suite 4000, Minneapolis, MN 55402 (Attn: Clinton E. Cutler, ccutler@fredlaw.com or (612) 492-7077 (fax)).

**F. Qualified Bids**

Assuming that there is an Auction, a Potential Bidder (other than West Ventures, LLC) will not be entitled to participate in any Auction or otherwise purchase the Sale Assets, unless it shall have submitted a Qualified Bid by the General Bid Deadline in accordance with these Bidding Procedures that includes **all** of the following items (the “Bid Package”):

1. A signed confidentiality agreement in the form provided.
2. A bid for a cash purchase price for all or a portion of the Sale Assets in excess of the greater of the West Ventures, LLC credit bid described in Section G below or Two Million Dollars (\$2,000,000.00).
3. The identity of the party submitting the bid and details regarding any other parties participating in the bid.
4. A written acknowledgment by the Qualified Bidder and each participant in such bid that it/they agrees to all of the terms set forth in these Bidding Procedures.
5. Written evidence that the Qualified Bidder has obtained authorization and approval from its board of directors (or comparable governing body) with respect to the submission of its bid and acceptance of the terms of sale set forth in these Bidding Procedures, or representation that no such authorization or approval is required.
6. Audited (if in existence) or unaudited financial statements and/or other written evidence of a financing commitment or other evidence, satisfactory to IR1, the Debtor and the Committee, of the financial ability to close under its asset purchase agreement within the deadline described above.
7. A signed asset purchase agreement (“APA”) in a format acceptable to IR1 without contingency for financing or further due diligence and shall not contain any provision for the payment of a break-up fee or expense reimbursement to the Qualified Bidder. In its discretion, the Debtor will consider the assumption of liabilities and any non-cash consideration contemplated by each proposed bid, but is not obligated to give dollar for dollar credit for any such assumption of liabilities. The asset purchase

agreement must also include a list of unexpired leases and executory contracts to be assumed and assigned to the bidder. Such bid must be irrevocable.

8. A deposit (“Deposit”) in the amount of \$125,000 in the form of a cashier’s check or wire transfer of immediately available funds payable to the order of Fredrikson & Byron, P.A., counsel for Debtor, which will be returnable to the bidder as set forth in Paragraph J below. All Deposits will be held in a segregated account.

The Debtor, in consultation with IR1 and the Committee, will analyze each Bid Package based upon the criteria detailed above, and based on the capability to close a transaction, and the bid’s impact on all constituents of the Debtor, and the amount of the bid, (taking into account in its discretion and among all other factors the terms and conditions of any assumed debt obligations) to determine which bids constitute “Qualified Bids” and thus entitle the bidder to participate in the Auction if one is held. For purposes of the Auction, West Ventures, LLC will be a Qualified Bidder without requirement of any deposit, but must submit a Credit Bid by the Credit Bid Deadline in order to credit bid any portion of the DIP loan or its prepetition secured indebtedness. IR1 may, at any time, contact bidders to discuss or clarify terms and to indicate any terms which may need to be modified in order to conform the bid such that it can be treated as a Qualified Bid. IR1 shall provide a list of Qualified Bids and each corresponding Bid Package to counsel for the Committee, West Ventures, LLC, and each Qualified Bidder and counsel for each of them no later than twenty-four hours after receipt.

#### **G. Credit Bid**

West Ventures, LLC shall have the right to submit a credit bid for the Sale Assets on or before the Credit Bid Deadline, or such later date as may be set pursuant to Section B above, which bid shall comply with the requirements for a Bid Package under Subsections F.3, F.4, F.5, and F.7 above and the provisions of this Section G. The first dollars of the credit bid by West Ventures, LLC must be of the post-petition obligations of the Debtor to West Ventures, LLC under the Debtor-in-Possession Loan Agreement dated as of May 9, 2013, by and between the Debtor and West Ventures, LLC (the “DIP Loan Agreement”) and only after the entire DIP loan amount has been credit bid shall it be permitted to credit bid any portion of the Debtor’s prepetition secured indebtedness to it. Moreover, as a condition to credit bidding any portion of its prepetition secured claim, West Ventures shall include an offer to fund, in cash, at Closing the portion of the Carve-Out (as that term is defined the DIP Loan Agreement) incurred and unpaid prior to Closing. Notwithstanding anything else to the contrary, in the event that (a) the Committee or another party in interest brings any claim or proceeding against West Ventures, LLC pursuant to Section 3.5 of the DIP Loan Agreement or otherwise contesting the nature, validity or priority of or seeking to avoid West Ventures, LLC’s prepetition claims or any liens securing the same or (b) the Committee or another party in interest contests or the court limits West Ventures, LLC’s rights to credit bid the full amount of its debt, West Ventures, LLC shall have the right by written notice to cancel or postpone the Auction. Nothing in these bidding procedures shall impair the rights of any person under 11 U.S.C. § 363(k). In the event that there is an objection to the right of West Ventures to credit bid its prepetition claim, such dispute shall be subject to the determination of the bankruptcy court in accordance with the applicable

sections of the Bankruptcy Code and applicable rules, subject to West Venture's rights under the DIP loan Agreement and applicable orders.

## **H. Auction**

If one or more Qualified Bids are received by the General Bid Deadline that exceed any credit bid by West Ventures, then an Auction shall be conducted. Qualified Bidders who are deemed to have submitted a Qualified Bid and a representative of West Ventures, LLC will convene on the Auction Date at 9:00 a.m. at the offices of Fredrikson & Byron, P.A., Suite 4000, 200 South Sixth Street, Minneapolis, Minnesota, 55402 or at such other location selected by the Debtor with written notice to each party that has submitted a Qualified Bid for the Auction.

The initial bid at the Auction shall be the Qualified Bid that the Debtor deems in its sole discretion to be the highest and best Qualified Bid. Bidding shall proceed by open auction with all Qualified Bidders offered the opportunity to increase their bids in increments of at least \$50,000 in value. When such bidding has ceased, the two bids that are deemed by the Debtor to be the highest and best bids will be announced at the close of the bidding. The highest and best bid is referred to herein as the "Prevailing Bid" and the maker of such bid the "Prevailing Bidder." The next highest and best bid will be the "Back-Up Bid" and the maker of the bid will be the "Back-Up Bidder."

In determining which bid constitutes the "Prevailing Bid" or "Prevailing Bids" and the "Back-Up Bid" or "Back-Up Bids," the Debtor, in consultation with IR1 and the Committee, will use its reasonable judgment and may consider, among other things: (i) the purchase price offered in the bid; (ii) the value of any non-cash consideration, which may be valued at less than dollar-for-dollar of stated value; provided that no non-cash consideration shall be included without the consent of the Committee and West Ventures, LLC; (iii) any assumed debt obligations or liabilities; (iv) the bidder's financial situation and wherewithal; (v) the probability of prompt closing; (vi) ability to demonstrate adequate assurance of future performance for all unexpired leases and executory contracts to be assumed and assigned and the treatment of any resulting cure amounts; and (vii) the best interests of creditors and the estates, provided however, that a credit bid shall not be preferred over a cash bid or vice versa.

The Debtor and IR1 will keep the Committee and West Ventures, LLC and counsel for each of them informed concerning the Auction process and the foregoing decisions.

No additional bids may be submitted or considered after the Auction.

**EACH BID – INCLUDING BIDS CONTAINED IN THE BID PACKAGE – SHALL CONSTITUTE AN IRREVOCABLE OFFER AND BE BINDING ON THE QUALIFIED BIDDER(S) FROM THE TIME THE BID IS SUBMITTED UNTIL THE EARLIER OF 48 HOURS AFTER THE SALE OF THE ASSETS HAS CLOSED OR THIRTY (30) DAYS AFTER THE APPROVAL HEARING.**

**I. Sale Approval Hearing**

At the Sale Approval Hearing the Debtor will seek Bankruptcy Court approval of the Prevailing Bid(s) and of the Back-Up Bid(s). The form of the Sale Order must be acceptable to West Ventures, LLC. In the event that a Prevailing Bidder(s) cannot or refuses to consummate the sale because of the breach or failure on the part of the Prevailing Bidder(s), the Debtor will be permitted to close with the Back-Up Bidder(s) on the Back-Up Bid(s) without further order of the Court. The Debtor's presentation to the Bankruptcy Court for approval of those particular bids does not constitute acceptance of any bids. The Debtor has accepted a bid only when the Bankruptcy Court, following the Sale Approval Hearing, has approved the sale.

**J. Closing**

Except to the extent of any contrary provision in the asset purchase agreement of any Prevailing Bidder or Back-Up Bidder, the closing (the "Closing") shall occur on or before August 31, 2013, subject to the right of the Debtor and the Prevailing Bidder, or the Back-Up Bidder as the case may be, to extend such date consistent with such party's asset purchase agreement.

Each Deposit submitted pursuant to these Bidding Procedures will be held in escrow until the selection of the Prevailing Bidder and the Back-Up Bidder, as to all other bidders, or forty-eight (48) hours after closing of the sale of the assets to the Prevailing Bidder as to the Back-Up Bidder. To the extent that there are proceeds from the sale of the Sale Assets, the liens of secured creditors shall attach having the same dignity, priority and effect as against the Sale Assets.

**K. General**

These Bidding Procedures are subject to modification from time to time by Debtor and IR1, as circumstances may warrant, subject to the limitations in the Sales Procedure Order, following consultation with West Ventures, LLC and the Committee. The Debtor shall promptly notify parties in interest and Prospective Bidders of any such modifications. No bidder has any rights against the Debtor, its estate, IR1, or any of the Debtor's other professionals by virtue of any modification of these Bid Procedures, or by virtue of having or not having its bid accepted by the Debtor or approved by the Bankruptcy Court. To participate in the auction each Qualified Bidder will sign an acknowledgement of no rights or claims against the Debtor, the estate, IR1, or the Debtor's professionals for the foregoing.

**L. Terms of Sale**

IR1 may require that bids received after the Credit Bid Deadline (as may be extended pursuant to Section B above) conform to the form of APA submitted with a credit bid of West Ventures, LLC. IR1 shall give Prospective Bidders notice of such requirement at least five days in advance of the Bid Deadline. Except to the extent of any contrary provision in the APA of any Prevailing Bidder or Back-Up Bidder, the sale of the assets shall be on an "AS IS, WHERE IS" basis and without representation or warranties of any kind, nature or description by the Debtor or its agents, except as provided in an asset purchase agreement accepted by the Debtor

and approved by the Bankruptcy Court in the Sale Order. Except as otherwise provided in the APA of any Prevailing Bidder, all of the Debtor's right, title and interest in and to the assets shall be sold free and clear of all liens, encumbrances, claims, and interests to the full extent available under Bankruptcy Code section 363, with such liens, encumbrances, claims and interests to attach to the net proceeds of the sale; provided, however, if West Ventures, LLC is the purchaser of the Sale Assets, West Ventures, LLC shall take the Sale Assets subject to any mechanic's liens that have priority over both the pre-petition and post-petition liens of West Ventures, LLC subject to any defenses against such mechanic's liens.

**M. Reservation of Rights**

The Debtor's rights under the Bidding Procedures are subject to and limited by its obligations under the DIP Loan Agreement and nothing herein shall authorize the Debtor to amend the provisions of these Bidding Procedures without the consent of West Ventures, LLC or in violation of the DIP Loan Agreement.