PROMISSORY NOTE

NOTE # 1039

COPY

$900,000.00.
Dated: June 19, 2001

FOR VALUE RECEIVED, Petters Company, Inc., a Minnesota Corporation, (the "Borrower") having its address at 7585 Equitable Drive, Eden Prairie, MN. 55344, promises to pay to Metro Gem Capital, LLC, a Delaware limited liability company whose address is 120 South Sixth Street, Suite 2650, Minneapolis, MN 55402, and its successors and assigns (the "Holder") the principal amount of $900,000.00, and interest in the amount of $54,000.00.

Payment on this Note, of the principal and interest is due, and payable to the Holder in full on or before September 17, 2001. The Borrower may at its option prepay this Note in whole or in part at any time without premium or penalty; provided, however, that interest will be adjusted pro rata in the event of prepayment or late payment.

Upon default in the payment of any principal or interest remaining due, the aggregate amount of this Note, remaining unpaid, at the Holder's option, shall without notice or demand at once become due together with interest, collection charges, and attorney's fees.

The undersigned and all endorsers, securities and guarantors here of, jointly and severally, waive presentment, demand for payment, notice of dishonor, notice of protest and protest and all other notices or demands in connection with delivery, acceptance, performance, default, endorsement or guaranty of this instrument.

PETTERS COMPANY, INC.

By _____
Thomas J. Petters, President

THOMAS J. PETTERS
PERSONAL GUARANTY

By _____

GOVERNMENT
EXHIBIT
221
08cr364(RHK/AJB)

ARWLTD005835

0221.0001

SECURITY AGREEMENT

THIS AGREEMENT is by and between Petters Company, Inc., a Minnesota Corporation, having its address at 7585 Equitable Drive, Eden Prairie, MN. 55344 (herein after referred to as "Debtor"), and Metro Gem Capital, LLC, a Delaware limited liability company whose address is 120 South Sixth Street, Suite 2650, Minneapolis, MN, 55402 (herein after referred to as "Secured Party").

For valuable consideration as set forth in the Promissory Note entered into by Debtor dated June 19, 2001, the parties agree as follows:

1. Security Interest. Debtor hereby grants to secured Party a security interest under Article 9 of the Uniform Commercial Code in the following described property to secure payment of indebtedness owed to Secured Party:

   Merchandise as reflected or referred to in the Purchase Order attached hereto as Exhibit A or as reflected or referred to in any future documentation, including bills of lading which relate back to Exhibit A;

   Any other merchandise which Debtor has or will acquire rights in or use of to the extent funds advanced by the Secured Party has enabled Debtor to acquire an interest in such merchandise; and,

   Any and all proceeds, which Debtor may acquire through the disposal of such merchandise.

This Security Interest is granted to secure payment of funds loaned to Debtor which has enabled or is intended to enable Debtor to acquire rights in or use of certain merchandise, which the parties understand and anticipate that Debtor intends to resell as part of its business. The Secured Party agrees that Debtor may, in ordinary course of Debtor's business, transfer title to or dispose of the merchandise or goods in which security interest has been granted in a manner consistent with the Representations and Agreement set forth herein and Debtor agrees that, in the event of such disposition, the Secured Party's interest will extend to all accounts receivable generated and all proceeds received relating to such disposition.

2. Representation and Agreements.

   Debtor represents and warrants to the Secured Party and agrees as follows:

   (a) All funds provided by the Secured Party will be advanced towards the purchase of the merchandise described in Exhibit A or in the event of any change in the merchandise described therein, towards the purchase of such other merchandise regarding which the Secured Party has been provided prior notice and an amendment has been made to this Security Agreement referencing the actual merchandise acquired.

(b) Once acquired, the merchandise will be owned free and clear by Debtor until sold during the ordinary course of Debtor's business and during such time the merchandise will be free and will remain free from all security interest, liens, claims and encumbrances.

(c) Debtor agrees to use reasonable care in its handling of the merchandise and to keep the merchandise adequately insured in the event Debtor takes or maintains physical custody or the merchandise.

(d) Debtor agrees to sign any financing statements that are required by the Secured Party to perfect this security interest.

3. Default.

In the event of default by Debtor of any obligation evidenced by the Promissory Note refereed to above, the Secured Party may declare the entire obligation immediately due and payable and will have all of the remedies of a secured party under the Uniform Commercial Code. Events of default will include any failure to pay amounts as due under the terms of the Promissory Note, and any breech of the Representations and Agreements set forth in this Security Agreement. In the event of default, Debtor will be responsible for any costs of collection, including court costs and attorney fees.

4. Modification.

No modification of this Agreement will be effective unless it is in writing and is signed by all parties. This Agreement binds and benefits all parties and successors.

5. Additional Provisions.

(a) This Agreement, including any attachments, is the entire agreement between the parties.

(b) This Agreement is governed by the laws of the State of Minnesota.

Debtor: Petters Company, Inc.

By: _____

Its: _____

Secured Party: _____ Metro Capital LLC

Witness: _____

Note 1039

PETTERS COMPANY, INC.

7585 EQUITABLE DRIVE, EDEN PRAIRIE, MN 55357
PHONE 952-934-9918 FAX 952-975-2295

PURCHASE ORDER

TO: PAR GROUP
425 E. MACEWEN DRIVE
OSPREY, FL 34229

SHIP TO: WILL ADVISE

ORDERED BY:	TOM PETTERS	*PURCHASE ORDER NUMBER:*	35810
DATE:	6-18-01	*SHIP VIA:*	BEST WAY
PAYMENT TERMS:	WIRE TRANSFER	*PARTIAL SHIPMENT ALLOWED:*	YES

ITEM NO.	DESCRIPTION	UNIT	QTY.	UNIT COST	TOTAL AMOUNT
	ASSORTED CD CASES, WALLETS, PORTFOLIOS, SPORTS BINDERS PER ATTACHED LIST @ 16% OF WHOLESALE $8,647,592.00		893,200	$1,383,614.72	1,383,614.72

SUBTOTAL	1,383,614.72
Shipping charges	
Handling charges	
Insurance	
Tax rate ____ % Tax	
TOTAL DUE	1,383,614.72

SPECIAL INSTRUCTIONS

ARWLTD005838

0221.0004

BOSCOV'S

P.O.# 84114
Vendor PETTERS
Sub-Dept #
Class
Terms NET 60

Ship Date 7-9-01
Cancel 7-30-01
Ship Point
Freight
Prepaid X
Collect

Pike Distributors
Purchase Order

Prepack by Store / Ship to D.C. # 15
X Ship in Bulk to D.C. # 15
Vendor will UPC Ticket
Vendor will PreTicket w/ Retail
X Pike Will Ticket - Type

Style	Description	PK	SKU	2	3	4	5	6	7	8	9	10	11	12	14	16	17	18	19	50	51	52	53	54	56	58	59	60	61	62	63	64	65	66	67	68	69	15	Total	Cost	Retail	DAL retail
	SEE ATTACHED LIST OF CD CASES, WALLETS PORTFOLIOS, And SPORTS BINDERS																																							$1,643,042.88			

DEPT: 644
PURCHASE: PETTERS COMPANY
VENDOR: 572-2
CO:
BUYER: 6-19-01

#####=MUC

Send Invoices Correspondence to:
Invoices: P.O. Box 4131
Correc: P.O. Box 4252
Reading, PA 19606

Buyer

Style	Description	Style #	Amount	wholesale	msrp	ext. wholesale
leatherette	48 cd playercase	tc48	15000	$13.06	$24.99	$195,900.00
animal	24 cd wallet animal print	ccan24 pony	4000	$6.26	$16.99	$25,040.00
animal	48 cd wallet animal print	ccan48 pony	15000	$8.88	$16.99	$133,200.00
animal	48 cd wallet animal print	ccan48 zebra	4000	$8.88	$16.99	$35,520.00
animal	Animal Print Playercase	dpan1 leopard	78000	$8.88	$16.99	$692,640.00
animal	Animal Print Playercase	dpan1 pony	16000	$8.88	$16.99	$142,080.00
animal	Animal Print Playercase	dpan1 zebra	42000	$8.88	$16.99	$372,960.00
fashion	24 cd color wallet	ccf24 lime	4100	$6.26	$11.99	$25,666.00
fashion	24 cd color wallet	ccf24 orange	1900	$6.26	$11.99	$11,894.00
fashion	48 cd color wallet	ccf48 lime	3200	$8.88	$16.99	$28,416.00
fashion	48 cd color wallet	ccf48 orange	7500	$8.88	$16.99	$66,600.00
fashion	72 cd color wallet	ccf72 lime	7600	$10.44	$19.99	$79,344.00
fashion	72 cd color wallet	ccf72 orange	8400	$10.44	$19.99	$87,696.00
fashion	104 cd color binder	cdbpf104 lime	9200	$15.68	$29.99	$144,256.00
fashion	104 cd color binder	cdbpf104 orange	31000	$15.68	$29.99	$486,080.00
fashion	24 cd color playercase	dfp24lime	3900	$8.88	$16.99	$34,632.00
fashion	24 cd color playercase	dfp24orange	5200	$8.88	$16.99	$46,176.00
Cargo	24 cd cargo case	ccgo24 khaki	24500	$6.26	$11.99	$153,370.00
Cargo	48 cd cargo case	ccgo48 khaki	23500	$8.88	$16.99	$208,680.00
Cargo	72 cd cargo case	ccgo72 khaki	14600	$10.44	$19.99	$152,424.00
Cargo	24 cd cargo case	ccgo24 olive	30000	$6.26	$11.99	$187,800.00
Cargo	48 cd cargo case	ccgo48 olive	51000	$8.88	$16.99	$452,880.00
Cargo	72 cd cargo case	ccgo72 olive	17000	$10.44	$19.99	$177,480.00
Cargo	208 cd cargo binder	cdbpgo208 khaki	1500	$20.90	$39.99	$31,350.00
Cargo	24 cd cargo playercase	dpgo24 khaki	9800	$8.88	$16.99	$87,024.00
Cargo	24 cd cargo playercase	dpgo24 olive	33000	$8.88	$16.99	$293,040.00
Cargo	cargo visor portfolio	vsgo20 khaki	7400	$6.80	$12.99	$50,320.00
Cargo	cargo visor portfolio	vsgo20 olive	10000	$6.80	$12.99	$68,000.00
Sport	72 cd sport case	ccs72 grey	2900	$10.44	$19.99	$30,276.00
Sport	72 cd sport case	ccs72 purple	52000	$10.44	$19.99	$542,880.00
Sport	72 cd sport case	ccs72 red	38000	$10.44	$19.99	$396,720.00
Sport	72 cd sport case	ccs72 yellow	92000	$10.44	$19.99	$960,480.00
Sport	104 cd sport binder	cdbps104 purple te	23000	$15.68	$29.99	$360,640.00
Sport	208 cd sport binder	cdbps208 purple te	7700	$20.90	$39.99	$160,930.00
Sport	208 cd sport binder	cdbps208 red	3700	$20.90	$39.99	$77,330.00
Sport	sport cd playercase	dps1 black	7000	$7.32	$13.99	$51,240.00
Sport	sport cd playercase	dps1 blue	9000	$7.32	$13.99	$65,880.00
Sport	sport cd playercase	dps1 purple	3500	$7.32	$13.99	$25,620.00
Sport	sport cd playercase	dps1 purple tech	5600	$7.32	$13.99	$40,992.00
Sport	sport cd playercase	dps1 red	4200	$7.32	$13.99	$30,744.00
Sport	sport cd playercase	dps1 yellow	6000	$7.32	$13.99	$43,920.00
Sport	24 cd sport playercase	dps24 purple	7300	$8.88	$16.99	$64,824.00
Sport	24 cd sport playercase	dps24 purple tech	29000	$8.88	$16.99	$257,520.00
Sport	24 cd sport playercase	dps24 red	30000	$8.88	$16.99	$266,400.00
Sport	sport visor portfolio	vss20 purple	1300	$6.80	$12.99	$8,840.00
Sport	sport visor portfolio	vss20 purple tech	5200	$6.80	$12.99	$35,360.00
Sport	sport visor portfolio	vss20 red	6300	$6.80	$12.99	$42,840.00
Leather	leather cd playercase	dpl1	10000	$8.36	$15.99	$83,600.00
Leather	24 cd leather playercase	dpl24	34000	$9.92	$18.99	$337,280.00
Leather	leather cd visor portfolio	vsl20	25000	$7.84	$14.99	$196,000.00
X-cases	24 cd x-case	x24 black	2100	$6.26	$11.99	$13,146.00
X-cases	24 cd x-case	x24 platinum	2300	$6.26	$11.99	$14,398.00
X-cases	48 cd x-case	x48 black	3900	$8.88	$16.99	$34,632.00
X-cases	48 cd x-case	x48 platinum	3900	$8.88	$16.99	$34,632.00
			893200	$8,647,592	$16,568,068	$8,647,592.00

1001e 1037

STATE OF MINNESOTA
UCC-1 FINANCING STATEMENT

For Filing Officer

2323167

01 JUN 22 PM 1:01

SEC. OF STATE
MINNESOTA

This statement is presented for filing pursuant to *Minnesota Uniform Commercial Code Minnesota Statutes Chapter 336.9-402* (Type in Black Ink)

1. Individual Debtor - Last Name	First Name	Middle I.
Social Security #	Mailing Address	
City	State	Zip Code
2. Individual Debtor - Last Name	First Name	Middle I.
Social Security #	Mailing Address	
City	State	Zip Code

3. Business Debtor - Name Petters Company, Inc.		
Fed. ID # [redacted]	Mailing Address 7585 Equitable Drive	
City Eden Prairie	State MN	Zip Code 55344

4. Secured Party Name Metro Gem Capital, LLC			5. Assignee of Secured Party		
Mailing Address 120 South Sixth Street, Suite 2650			Mailing Address		
City Minneapolis	State MN	Zip Code 55402	City	State	Zip Code

6. This financing statement covers the following types or items of property. (If crops are covered describe the real estate and list the name of the record owner.)

Merchandise (and proceeds received relating to the merchandise) referred to in Purchaser Order No. 00-84114 received from Boscov's dated June 19, 2001 up to a total value of $1,643,042.48. This is purchase money security interest and includes accounts receivable arising from the security interest. Proceeds, if any from credit insurance policy DKA-76354 issued by Maryland Netherlands Credit Insurance Company.

____ Debtor is a transmitting utility as defined by Minnesota Statutes Chapter 336.9-105

RETURN ACKNOWLEDGMENT COPY TO: (name and address)

Petters Company, Inc.
7585 Equitable Drive
Eden Prairie, MN 55344

Debtor's Signature (Required in Most Cases see instructions)

Debtor's Signature

Secured Party's Signature

Please do not type outside the bracketed area.

(06920619 Rev. 5/93) Standard Form Approved by Secretary of State

ARWLTD005841

0221.0007

ArrowHead Capital Finance Receipt and Verification Certification

To: ArrowHead Capital Finance, Ltd.
The Continental Building, 2nd Floor
25 Church Street
Hamilton, HM, Bermuda

Re: Custodial Agreement by and among Metro Gem Capital LLC, ArrowHead Capital Finance, Ltd., ArrowHead Capital Management Corp. and Wells Fargo Bank Minnesota, National Association dated as of March 5, 2001 (as amended or modified to date, the "Agreement").

Ladies and Gentlemen:

In accordance with the provisions of Section 2.2 of the Agreement, the undersigned, as Custodian, hereby certifies that except as noted below, as to the following Note:

Date/Number of Note	Issuer	Principal Amount	Stated Interest
6/19/2001 # 1039	PCI	$ 900,000	$ 54,000

(i) the Custodian is in receipt of such Note;

(ii) such Note appears to be the original signed Note and each of the name of the Issuer, the date of the Note and the original principal amount of the Note conforms to the information set forth above; and

(iii) the Custodian is holding such Note as agent for, and on behalf of, the Purchaser.

The Custodian has made no independent examination of such Note beyond the review specifically required in the Agreement. The Custodian makes no representations as to the validity, legality, sufficiency, enforceability, genuineness or collectability of the above-described Note.

Capitalized terms used herein but not otherwise defined shall have the same meanings assigned to them in the Agreement.

Dated: 6/21/01

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, as Custodian

By _____
Its Corporate Trust Officer

ARWLTD005842

ACF

Account [redacted]

ArrowHead Capital Finance Transmittal Letter (Non-Rollover)

To: Wells Fargo Bank Minnesota, National Association
MAC N9311-161
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479-0067
Attention: Asset-Backed Securities

We refer to that certain Custodial Agreement by and among Metro Gem Capital LLC, ArrowHead Capital Finance, Ltd., ArrowHead Capital Management Corp. and Wells Fargo Bank Minnesota, National Association dated as of March 5, 2001 (as amended or modified to date, the "Agreement"). Capitalized terms used herein but not otherwise defined shall have the same meanings assigned to them in the Agreement.

Pursuant to Section 2.1(b) of the Agreement, the Master Servicer, on behalf of Metro LLC hereby delivers to you the Note described below. Such Note has been purchased by the Purchaser pursuant to the Note Purchase Agreement.

Note No. Issuer	Orig. Date	Principal Amount	Due Date	Interest Due
1039 PCI	6/19/01	$ 900,000.00	9-17-01	54,000.00

The Notes are to be held by the Custodian as agent for, and on behalf of, the Purchaser. Please withdraw ($ 900,000.00) NINE HUNDRED THOUSAND Dollars from the Cash Account and deliver such funds by wire transfer to PETERS COMPANY INC (NATIONAL CITY BANK). WIRING INSTRUCTIONS ATTACHED

As soon as possible, but in no event later than one Business Day after receipt of this Transmittal Letter, you are hereby requested to compare the Note received to the information above and to deliver to the Purchaser a Receipt and Verification Certification in accordance with the procedures set forth in Section 2.2(a) of the Agreement.

Dated: 6/19/01

ARROWHEAD CAPITAL MANAGEMENT CORP.

By [signature]

Its Metro Capital LLC

MI-735847.03

ARWLTD005843

0221.0009