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Deanna

Coleman: Oh, that was Dean Vlahos.

Bob

White: Oh. Okay.

Coleman: He, um, Tom has a note. Dean co-signed a note for Tom for four million dollars at Signature Bank. It's almost time for payment.

White: Yeah.

Coleman: Like a week ago or so.

White: Oh. And so Dean Vlahos is getting nervous.

Coleman: It never made it. And...

White: So they're calling Dean.

Coleman: They're calling Dean.

White: I don't blame them.

Coleman: So I guess that's, that was yesterday, and, um. Okay. So he wants um. You gotta help me out Bob. I just, I can't talk about this stuff anymore. I just...

White: Yeah, I get it. I'll jump in.

Coleman: Aging of accounts receivable for Petters and other retailers. That's not in our.

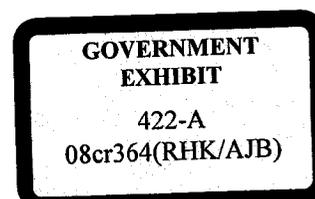
White: For Petters and others retail?

Coleman: They want other, yeah. They want to discuss a better way to make, um, deposits. Incoming deposits from retailers. That they can control.

White: Yeah. I understand their concern.

Coleman: Okay. Well I'm going to talk to him. I just, I don't know what to tell him.

White: Well, you know what? You're not available. Let me just



do the call.

Coleman: No. He knows I'm available.

White: Oh. Well, I just meant you went home. You had to leave or whatever and let me just do the call.

Coleman: (UI).

White: You know the, the problem is that you want to be able to. You just, it's so difficult because their questions aren't (UI). You should be able to do it.

Coleman: Um hum.

White: And so you're stuck with taking time (UI).

Jim
Granat: Deanna.

Coleman: Hi Jim. How are you?

Granat: All right.

Coleman: Good. I have Bob White here.

White: Hello.

Granat: Bob, how are you doing?

White: I'm good. It's a beautiful fall day.

Granat: There you go. Hold on. I have Jeff on the other line. If I lose you, Deanna, I'll call you right back.

Coleman: Okay.

Granat: But ah I think I can get you both on. Hold on one second.

Coleman: Okay. Thanks.

Granat: Jeff?

Jeff
Balliet: Yep.

Granat: Deanna? Bob?

White: We're all here.

Coleman: Hi Jeff.

Balliet: Hi Deanna. How are you?

Coleman: Good. How are you?

Balliet: So, yep, bearing up in Houston with no power, no lights.

Coleman: Oh, that's right.

White: Oh, my God.

Coleman: I forgot you. Yeah. So, um. You still have no power?

Balliet: I got no power. The office has no power.

White: I heard it's about an. I...

Balliet: (UI) no power. So.

White: Yeah, I heard it's about another week or something like that on the news, if I remember.

Balliet: We can only hope, Bob.

White: I see. Did you evacuate?

Balliet: No. I rode through the storm. And, you know, the trees down and that kind of stuff. There really wasn't a whole of property damage per se. You know. Just twigs and trees.

White: Ah.

Balliet: But it's the, you know, ninety-five percent of the town being without power.

Coleman: Right. And I suppose it's probably 95 degrees there?

Balliet: Of course it was. (UI), I mean you turn off the lights in Minneapolis for a month. You think it would get a little...

Coleman: Right.

Balliet: (UI).

White: Oh, yeah. Yeah. Sure. Yeah.

Balliet: But, you know that we're bearing up.

Coleman: Oh, good.

White: What are you doing for food?

Balliet: Oh, I killed a neighbor yesterday. (UI). Um, things are starting to come back. I actually, ah, left the day after the hurricanes and went to San Antonio for the week. And I'm just now coming back to Houston. So.

Coleman: Okay.

Balliet: Things are starting to come back, you know. (UI).

White: Yeah. I bet that's really bad.

Balliet: (UI).

White: Yeah. I mean, have you seen what, what, it's like in Galveston? Have you gone over that way at all?

Balliet: Well. I think they've gotten it quarantined but, you can't really get there. (UI).

White: (UI.)

Balliet: So, what. Some of the pictures out of there are just unbelievable.

White: Yeah. They, I, I was looking last night. There's a, a beach about, you know, miles long and one house standing.

Balliet: Oh, that's the, the Bolivar Peninsula which is ah due East of, of Galveston and took the brunt of the title surge.

White: Ah.

Balliet: Yeah. That's amazing.

White: Yeah. Just nothing. Ya, know.

Balliet: Yeah, we're just, just wiped out. You know. Seven, eight, ten rows of houses.

White: Yeah. Just. Anyway. Sorry. Maybe they'll be...

Granat: Yeah sure. I mean. I'll just, kind of. Bob, cuz I don't think you've ever met Jeff. I know you met Steve once. Ah, Jeff is...

Coleman: Right.

Granat: Steve's partner. Um. And ah. Ah, Jeff, ah, basically does almost, yeah. All of the operational, um, ah, work for, ah, Ark Royal or general. So...

White: Okay.

Granat: And, ah, obviously, I work for Jeff and Steve. And we just wanted to go through a couple things which I. I think you guys got an email on that, that ah, um, you know, I'll leave it up to Jeff from there to, ah, kind of go.

White: All right.

Balliet: Yeah, guys. I guess a couple points. The first one being that, ah. Yeah, there are a number of these receivables that we have that are what we call stale. And our administrator is kinda questioning us, well. You know. Is there some way that we can get some comfort that, you know, ah the principal amount or the faith amount that we're expecting to have here is, in fact, you know, still valid and that there's not a, sort of an impairment that ought to be taken and recalculate our, our NAVs for in the third quarter.

White: Okay.

Balliet: So what they were kind of asking for is some sort of, you know, third party verification or confirmation, if you will. Like, like an auditor might do at the end of the year. Um, yeah, kind of, off the principal balance, the terms, ah, of the, ah, of the receivables.

White: Yeah. I'm not sure for a third party, what, what, um, we can do. Um.

Coleman: I don't believe we'll be able to do that. But, um. You

know, we, I guess we haven't before in the past.

White: Um. Let's. Your notes are, are, were due, um. What. How. When, when were they due? I'm, I'm.

Balliet: Well, I guess (UI).

White: I'm trying to get myself up to speed.

Balliet: (UI). I guess the ones that are, I'll refer to as stale are now, four, six, six weeks back.

Granat: We have, we have, ah, we have about. We have about five, five different lines items that are about a hundred days, in terms of, ah, receivables not current.

Coleman: But they're about thirty days to forty-five days past due?

Balliet: Right.

Coleman: Yeah. About thirty days past due.

Balliet: And so if they were all paid by the end of this quarter, our, our administrator...

White: Yeah.

Balliet: ...wouldn't have an issue. But if you, you know, you add another ten plus days to it, then. You know, I think they can properly ask well, you know, how do I know my NAV is right, if.

White: Sure.

Balliet: ...I'm sitting on notes that are, you know, six or seven weeks past due.

Coleman: Right.

White: Yep. Ah, um. Well. I 'd list. I'm not sure what I can do with, ah, with, ah, independent verification. We, we can, ah, ah, attempt to get something from the retailer. Um. But. That. This. What we're running. This is, is, is things are running slow for us right now. That's, that's, that's the fact that we're under and, ah, um. We're expecting to be, to, to start, you know, getting some of these payments in. Um. We keep kind of

crossing our fingers and hoping that we get it in each day. That's kind of where we are at. Um. We've been. There's been some calls made and so on and we're, uh assured that things will be all right. But that's. That's all that, that's, um, that we have at this point. I don't have a, ah. Some sort of a, an, an audit done with this (UI) these numbers.

Balliet: No, but, over on the Ark Royal side we run our number of operating companies that should go to a particular customer and say. You know, hey he's the, you know. Make sure that we are in sync on our open receivables.

White: Right.

Balliet: Or our open invoices with you.

White: Okay.

Balliet: That sort of, that sort of, um, listing or, or, um, information from, from your customer, you know, would help our administrators know okay, they've at least acknowledged that they owe this now. So we'll go to our other belt and suspenders that we have. You know, i.e., the insurance coverage that we have off to, to back stop the fact that, ah, there's something there that's supports the NAV that we're reporting to (UI).

White: Okay. Now.

Balliet: Something along, you know. Statement of open account or, or something like that that we can say. Okay, look here's, here's the receivable. You know. Here's the third party acknowledgment of receipt.

White: I can, I can attempt to get that. That's, um, the, the, it's, it's, the, these, um, um. The, the, the way these things are sold into the stores are, are, um, with, um, you know, the non-traditional ah sales and, and so and so. It, it may be difficult. But I'll try to get a letter from the retailer, ah, confirming the, these invoices. Okay?

Balliet: Well, do they have an EDI system that these receivables, their payables are reported on?

White: It's not with the diverted goods. Their EDI is on their regular purchases. But the diverted goods are not part

of that system. It's kept separate. Um, so.

Balliet: So, they don't have any web based, um, um, information reporting system that you can dial into?

White: Not, not, not, not for.

Balliet: (UI) or something like that.

White: Not for diverted goods. They, they, um, they, the run it even through a separate company even. And so it's a, um, um like.

Granat: Is that the National Distributors?

White: Yeah, it doesn't. It, that goes into Costco but it's, they run it through a, an entirely different setup.

Coleman: Which is National.

White: Which is National.

Granat: But it, does National Distributors have an open, I mean cuz we got. Well I haven't gotten the newest letter, Deanna, which I know you, you said that you were gonna work on trying to get but the, the, um, the. I mean do they have the open?

White: Yeah.

Granat: Show the open receivable to or payable, obviously for them, receivable for you? I mean National Distributors?

White: Well they don't have an EDI system. They, they don't have an EDI system.

Granat: (UI).

White:I know that so that, that is a but, but let me see if I can. We can request a letter and then send them, send them, um, a list of these to saying we have these, um, outstanding in, invoices, purchase orders arrangement and, and can you confirm. We can, we can send that letter to them.

Balliet: Yeah or even e-mail so that makes things easy.

White: Okay. Alright. But I, I.

Balliet: And then the second...

White: But I have not done that.

Balliet: (UI).

White: I have not done that so I, I'm, I'm just saying that I can, I can attempt to get it for you. That, that's. I haven't done it in the past so I don't know.

Balliet: Um, yeah and like I said, in our other businesses it's as simple as talking to the Accounts Payable Manager on the other side. Just say hey.

White: Sure I understand that.

Balliet: (UI).

White: I understand that and, and I, um, and if it's not diverted goods then it's real simple (UI) if it's diverted goods. It's a different way that it's handled and it's (UI). So well we can send a, a letter and see what and, and press to get a response for you. Okay?

Balliet: Okay. Good, 'preciate that.

White: Yeah.

Balliet: And the second point, um, kinda relates to the belt and suspenders that I referred to which was the credit insurance that we have on the receivables and the way we had understood the transaction to work was that the SPV you invoices. For example National Distributors and on that invoice then there's, you know, wiring instructions for funds to be sent back to the bank account of the SPV.

White: Yes.

Balliet: And I think that we've now learned that well, in fact, those funds don't flow back to the bank account of the SPV. It actually flows to a Petters Company account. Another Petters Company account, not the SPV.

White: I, I.

Balliet: So what we're trying to.

White: The reason is I, I.

Balliet: (UI)

White: My, I, I don't know specifically on yours but the reason it has been is that a, if we've got a number of SPV's set up and they say we're not, we're not keeping track of a bunch of different SPV's for you. We'll send it to one account and that's it. So, um, ah we may or may not be able to change the way that's done. I don't know.

Balliet: Right. But then that, that kinda leads to a legal issue that if, you know, one entity, i.e., the SPV is invoicing National Distributors and they're, in fact, paying another entity, they're not sort of legally expunging the account payable that they think they are with that payment. Because it hasn't been made in accordance with the invoice.

Coleman: Well the purchase order from them is cut to PCI. It's not cut to Edge One or to another SVP. The purchase order is always made out to Petters Company, Inc.

Balliet: Right, but the invoice comes from the SPV or does it come from a Petters account?

White: Well the invoice comes for the, for Petters Company, I believe.

Granat: The invoices I receive are from Edge One.

Coleman: Edge One, right. But it relates to a Petters Company purchase order.

Balliet: So, Deanna, are you saying that the invoice to the ultimate customer, National Distributors in this case, may come from a Petters Company and not the SPV?

Coleman: No, it, it, it says Edge One. They have it set up. I mean, their purchase order comes to Petters Company, not to Edge One, and that's how they look at it.

Balliet: Right, but the in, the invoice going out for the shipment of the goods comes from who?

Coleman: From the S, right.

Balliet: SPV or the Petters Company?

Coleman: The S, right, the SVP.

Balliet: Sorry, say that again. (UI).

Coleman: It comes from Edge One.

Balliet: From Edge One?

Coleman: Right, the invoice does.

Balliet: So the curious fact that.

White: (UI).

Balliet: National Distributors is ignoring the invoice, the payments are above, on that invoice, and then paying to a different company.

Coleman: Right and they will do that. They, like I said we, or like Bob said, we have, you know, different companies different SVP's. Um, they set us up as one vendor number. They're not gonna set us up as 10 different vendor numbers and won't make payments to 10 different accounts. This has been a problem for 10 years now. Um, they will.

Balliet: So but the problem is they presented to us is, you know, whether in fact we've got a receivable that we've got credit insurance on or not. So.

Coleman: Yeah I, I understand what you're saying.

Balliet: We're paying a whole lot of good money for insurance that a, um, may or may not be valid though.

White: (UI).

Balliet: That's what we're trying to get to the bottom of.

Coleman: Right.

White: Okay. Ah, I don't know how you're, I don't know about the insurance.

Coleman: That I can't answer, but yeah.

White: How is, how is your insurance policy written? Can? Is there? The pertinent part of the policy could, could you send a copy to, to me so we could look at it and see so that we could try to make sure that we comply for that insurance?

Balliet: Ah yeah.

Granat: Absolutely. I just thought...

White: I know, I don't need the whole...

Granat: ...attention Bob White at Petters Group?

White: Yeah, or send it to Deanna. Works either way.

Coleman: Or send it to you Bob if you're going to look into it.

White: Yeah, yeah.

Granat: Send it to Bob, copy to both of ya. I just wanted to make sure (UI).

White: Yeah, yeah but, but if, if you, um, um, ah, I don't need the whole policy but just the, the parts that relate to that. Okay?

Granat: Alright. Yeah Deanna I use, I use, I use Tim on, on this for the credit insurance.

Coleman: Tim Gonsior?

Granat: Yeah. And he goes, he goes....

White: Okay.

Granat:for the two of us?

White: Okay, okay.

Granat: (UI).

White: I, I didn't know what policy you had. I didn't know anything about it so. Okay.

Balliet: Yes, I guess the SPV has receivable from the ultimate customer. The legal receivable from the ultimate customer, Jim, our credit insurance should work. (UI)

because they're paid to a Petters account, you know if they pay then our credit insurance is not good.

White: Yeah, well let's find out. So.

Balliet: So that's what we're after we're just...

White: I get it. Yup, I understand.

Balliet: And everyone is in this sort of financial crisis we've got going on right now.

White: Yeah, it's a crazy world we've got.

Balliet: (UI) the same thing.

White: Yeah. Same expression.

Balliet: But we're just trying to, we're just trying to keep people happy so.

White: Yeah I hear ya. Well if you can send me that and let me, let me read it and talk to Tim Gonsior and so and so I can understand it. You, you don't mind if I talk to Tim, Tim regarding your policy do ya?

Balliet: No, no, not at all.

Granat: Not at all.

White: Oh. Alright.

Granat: Alright?

White: Alright.

Granat: Um, Jeff, anything else?

Balliet: Ah, no, if we kinda, you know, work through these couple things I think that'd be very helpful.

Coleman: Okay.

White: Okay. Alright.

Balliet: And like I say, Jim, Jim is about to leave to go to Europe for a couple weeks to go on a marketing trip and.

White: Where are you going in Europe?

Granat: Ah I, I'm going to about seven different cities but ah London, all over Switzerland, Milan, Paris, and Amsterdam.

White: Ah, okay.

Granat: And a in about 10, in about 14 days. I leave tomorrow morning and I come back two weeks from ah, from Saturday so.

White: Okay.

Coleman: Oh wow.

Granat: Yeah I'm trying to ah, I'm trying to get Deanna a bunch of money anda, anda see, see what happens for the fourth quarter here I mean....

White: Alright.

Granat:it's a. I think it's gonna be a good time but I wanna make sure that we work through all of this because as this stuff cleans up, right, and we're all left standing a....

Coleman: Yeah.

Granat:it looks really good. It's gonna be. There's gonna be a lot of money to be flowing to ah, to things that have been able to withstand all of this, this pressure on the market and we think that we'll be one of the players that will be able to ah hopefully, as I say, clean up.

White: Yeah. Yeah.

Coleman: Right.

White: But those people who survive, weather the storm are, will do well I think so.

Granat: Right. So do we. We wanna get out there and get hit. Obviously tell a good story anda, and, and go get all this money so we just wanna get this all obviously behind us and clean up these little pieces so we can a just continue to, to drive forward cuz these. I'm real

excited I got a bunch of good meetings so I'm looking forward to it.

White: Great.

Granat: Well Deanna, Deanna gets sick of me calling, telling her hi (UI) and I call back and say I have six million and then I call back and say I have seven million.

Coleman: I like those phone calls.

Granat: (UI) wait a few more days.

Balliet: ...we'll (UI).

White: Alright, well, enjoy your trip, okay?

Granat: We got it. I got it.

White: Yeah.

Balliet: I appreciate your help, guys.

White: Yeah, yeah, okay. You bet.

Coleman: Thanks. Bye.

Granat: Alright.

Balliet: Bye-bye.

Coleman: Okay. Thanks, Bob.

White: You know if, if you don't at least sound like you're gonna try and do something I think that you make it worse but.

Coleman: No, I agree with you. It sounds like you're gonna try to do something. I'm just at the point where I know I can't do it and I just get frustrated and I just get tired.

White: I know, I know, I know. I don't blame you. I'm just saying that's. Jesus Christ. Hello? I know. Hi. I'll give him a, I'll call. I will call, I will call Lance, okay? Alright. Yup. I will. I'll call him. No, I think we're. I, um, probably gonna leave early today so I'll be. I'll see you in, in, in the middle of the afternoon

probably. Okay, great, okay. Ciao. Love you, bye.

White: You know, ah. Well so it's such a non-real thing and it's hard to believe that life is going to change. And then this is, it's just, it's so bizarre that it's hard to believe that we're, that it isn't just a dream and, and we wake up (UI).

Coleman: (UI) It feels like a dream.

White: Yeah. It's so goofy. I think we should make a call.

Coleman: I know, I keep putting it off. We should wait until the end of next week to see if Tom actually comes through with Girard or not or, um. According to Dean, Tom told Dean yesterday which you know, but Tom's getting 20 million, 20 million on Monday and I know yesterday he told me that he was getting, he could have said 20. I asked him if it was more like 30 or 40. I just can't remember all these numbers after a while.

White: Yeah, yeah. But ah I guess I don't have a lot of, I don't know where he's getting the money. He doesn't know where.

Coleman: (UI).

White: (UI).

Coleman: Probably gone to lunch.

White: Yeah. I'm gonna go down there.

Coleman: Okay.

White: Alright. Do you want door open?

Coleman: Ah, you can leave it open.

White: Okay.