

SECURED REGISTERED PROMISSORY NOTE

No. [REDACTED]

\$5,065,000.00

Minneapolis, Minnesota
December 23, 2004

FOR VALUE RECEIVED, the undersigned, PETERS I, INC. a Minnesota corporation (the "Company") promises to pay to the order of METRO II LLC or its assigns (the "Holder"), at the place designated at any time by the holder hereof, in lawful money of the United States of America and in immediately available funds, the principal amount of Five Million Sixty-Five Thousand and No Cents United States Dollars (\$5,065,000.00) (the "Principal Amount") on the earlier of (i) the March 23, 2005 day, but in no event later than the 182nd day, after the date hereof, or (ii) the business day after the date upon which Company receives available funds from payment from the buyer on the inventory sale financed by the proceeds of this Note (such date, the "Maturity Date"), together with interest on the unpaid principal balance hereof from the date hereof until this Note is fully paid, at an annual rate of interest, calculated on the basis of actual number of days elapsed in a 360 day year, that shall be equal to Thirteen (13%). The proceeds of this Note will be used to purchase inventory pursuant to the purchase order attached hereto. This Note is secured pursuant to a Security Agreement dated as of December 10, 2001 made by the Company in favor of the Holder (as such agreement may be amended, restated, modified or replaced from time to time, the "Security Agreement")

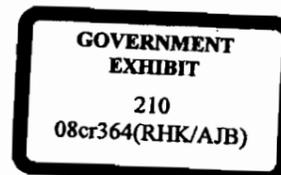
1. Prepayment. This Note may be prepaid in whole or in part at any time or from time to time, without penalty or premium. Payments hereunder shall be applied first to the payment of accrued interest and then to reduction of principal.

2. Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default." The Company shall (a) fail to make when due, whether by acceleration or otherwise, any payment of principal of, or interest on, this Note; or (b)(i) be or become insolvent, (ii) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Company or of all or a substantial part of the Company's property, (iii) commence a voluntary case under any federal or state bankruptcy, insolvency, or similar law, (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or (v) admit in writing its inability to pay its debts as they come due (vi) make an assignment for the benefit of its creditors; or (vii) become an involuntary party to (or be made the subject of) any bankruptcy proceeding or any other insolvency, readjustment of debt, marshalling of assets and liabilities, or similar procedures of or relating to the Company or relating to all or a significant portion of its properties, which proceeding is not dismissed within 60 days after the commencement thereof.

3. Remedies. If any Event of Default shall occur and be continuing, the outstanding unpaid principal balance of this Note and the accrued interest thereon shall automatically become immediately due and payable. In addition, upon any Event of Default, the Holder may exercise all rights and remedies under the Security Agreement and any other instrument, document or agreement in favor of the Holder, and enforce all rights and remedies under any applicable law. No delay or failure on the part of the Holder in exercising any right or remedy hereunder, or at law or at equity, shall operate as a waiver of or preclude the exercise of any such right or remedy, and no single or partial exercise by the Holder of any such right or remedy shall preclude or estop another or further exercise thereof or exercise of any other right or remedy. No waiver by the Holder hereof shall be effective unless in writing signed by the Holder. A waiver on any one occasion shall not be construed as a waiver of any such right or remedy on any prior or subsequent occasion.

4. Intention of Parties. If this Note is assigned or transferred to a noteholder that is not a "United

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States person," within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code"), then it is the intention of the Company and such noteholder that (x) all interest accrued and paid on this Note will qualify for exemption from United States withholding tax as "portfolio interest," because this Note will be an obligation which is in "registered form," within the meaning of Sections 871(h)(2)(B) and 881(c)(2)(B) of the Code and the applicable Treasury Regulations promulgated thereunder, and (y) as such, all interest accrued and paid on this Note will be exempt from United States information reporting under Sections 6041 and 6049 of the Code and United States backup withholding under Section 3406 of the Code. The parties agree to cooperate with one another, and to execute and file such forms or other documents, or to do or refrain from doing such other acts, as may be required, to secure such exemptions from United States withholding tax, information reporting, and backup withholding. In furtherance of the foregoing, such noteholder hereby represents, warrants and covenants to the Company that (i) such noteholder is not, and will not be as long as any amounts due under this Note are outstanding, a "United States person," within the meaning of Section 7701(a)(30) of the Code; (ii) such noteholder is not, and will not be as long as any amounts due under this Note have not been paid in full, a person described in Section 881(c)(3) of the Code; and (iii) such noteholder shall have submitted an IRS Form W-8BEN (or successor form) as required by Paragraph 5 of this Note.

5. Assignment. This Note may not be assigned without the prior written consent of the Company. The terms and conditions of this Note shall be binding upon and inure to the benefit of the Company and the Holder and its permitted assigns; provided, however, that if such assignment is to any noteholder that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, then such noteholder shall submit to the Company on or before the date of such assignment if such consent is otherwise obtained and such assignment is to any noteholder that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, then such noteholder shall submit to the Company on or before the date of such assignment a properly executed U.S. Internal Revenue Service ("IRS") Form W-8BEN, W-8ECI, or W-8IMY, as applicable (or any successor form prescribed by the IRS), certifying as to such noteholder's complete exemption from United States withholding tax, information reporting and backup withholding with respect to all payments to be made to such noteholder hereunder, and if an event occurs that would require a change in the exempt status of such noteholder or any of the other information provided on the most recent IRS Form W-8BEN, W-8ECI, or W-8IMY (or successor form) previously submitted by such noteholder to the Company hereunder, such noteholder will so inform the Company in writing (or by submitting to the Company a new IRS Form W-8BEN, W-8ECI, or W-8IMY (or successor form) within 30 days after the occurrence of such event. Any attempted assignment in violation of this Section 5 shall be void and of no force and effect. Until there has been a valid assignment of this Note and of all of the rights hereunder by the Holder in accordance with this Section 5, the Company shall deem and treat the Holder as the absolute beneficial owner and holder of this Note and of all of the rights hereunder for all purposes (including, without limitation, for the purpose of receiving all payments to be made under this Note). Notwithstanding any other provision in this Note to the contrary, the Company shall be entitled, to the extent it is required to do so by law, to deduct or withhold taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees, or other amounts payable under this Note for the account of the Holder or any subsequent noteholder which is not a United States person (as that term is defined in Section 7701 (a)(30) of the Code) to the extent that such Holder or subsequent noteholder has not provided to the Company IRS forms that establish a complete exemption from such deduction or withholding and the Company shall not be obligated to make any additional payments to the Holder or

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noteholder in respect of taxes so withheld or deducted or imposed by the United States if such Holder or noteholder has not provided to the Company the IRS forms required to be provided to the Company pursuant to this Note.

6. Waiver. The Company waives diligence, demand, presentment, notice of nonpayment, protest, and notice of protest all in the sole discretion of the Holder and without notice and without affecting in any manner the liability of the Company.

7. No Oral Modification. This Note may not be changed, modified or terminated orally.

8. Governing Law. This Note is being delivered in, and shall be governed by the laws of, the State of Minnesota.

PETTERS I, INC.

By: 
Its: _____

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FORM OF DISBURSEMENT INSTRUCTIONS

Account # [REDACTED]
Metro II LLC

To: David @ Wells
FAXED
 12-23-04
 12:26 p.m. LSS

To: Wells Fargo Bank Minnesota, National Association
 MAC N9311-161, Attention: Asset-Backed Securities

We refer to that certain Custodial Agreement, as amended, by and among Metro II LLC and Wells Fargo Bank Minnesota, National Association dated as of March 27, 2003 (as amended or modified to date, the "Custodial Agreement"). Capitalized terms used herein but not otherwise defined shall have the same meanings assigned to them in the Agreement.

A. Pursuant to Section 2.7(c) of the Agreement, please withdraw the following amounts from the Class A-1 Cash Account [REDACTED] and deliver them as follows:

1. (\$ _____) Dollars to the Custodian.
2. (\$ 5,065,000.00) Dollars to the Collateral Account [REDACTED]
3. (\$ _____) Dollars by wire transfer to:

Party: _____
 Bank Name: _____
 ABA/SWIFT #: _____
 Account #: _____
 Ref: _____

B. Pursuant to Section 4 of the Collateral Agreement, please withdraw the following amounts from the Collateral Account [REDACTED] and deliver them as follows:

1. (\$ 5,065,000.00) Dollars by wire transfer to:
- Party: Nationwide International Resources, Inc.
 Bank Name: First Regional Bank
 ABA/SWIFT #: [REDACTED]
 Account #: [REDACTED]
 Ref: P.O. 93488

By: <u>Alan Kelly</u>	One person from each list is required to authorize this transaction	By: <u>Lynette Schultz</u>
Date: <u>12/23/04</u>		Date: <u>12/23/04</u>
<input type="checkbox"/> Alan Farrell		<input checked="" type="checkbox"/> Lynette Schultz
<input type="checkbox"/> Brian Francoeur		<input type="checkbox"/> Sarah Morrison
<input checked="" type="checkbox"/> Paul Kelly		<input type="checkbox"/> Terra Hunter
<input type="checkbox"/> Ian Pilgrim		<input type="checkbox"/> Martin Zolnai
<input type="checkbox"/> Martijn van der Molen		
Authorized Signatory 1		Authorized Signatory 2

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UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
DEANNA MUNSON 952-974-8209

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

**METRO GEM, INC.
 PO BOX 97
 EXCELSIOR, MN 55331**

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a ORGANIZATION'S NAME
PETTERS I, INC.

OR
 1b INDIVIDUAL'S LAST NAME

1c MAILING ADDRESS
4400 BAKER ROAD, SUITE 200

CITY
MINNETONKA

STATE
MN

POSTAL CODE
55343

COUNTRY
USA

1d **SEE INSTRUCTIONS** ADD'L INFO RE ORGANIZATION DEBTOR 1e TYPE OF ORGANIZATION **CORPORATION** 1f JURISDICTION OF ORGANIZATION **MN** 1g ORGANIZATIONAL ID #, if any NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a ORGANIZATION'S NAME

OR
 2b INDIVIDUAL'S LAST NAME

2c MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

2d **SEE INSTRUCTIONS** ADD'L INFO RE ORGANIZATION DEBTOR 2e TYPE OF ORGANIZATION 2f JURISDICTION OF ORGANIZATION 2g ORGANIZATIONAL ID #, if any NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR(S)/P) - insert only one secured party name (3a or 3b)

3a ORGANIZATION'S NAME
METRO II LLC

OR
 3b INDIVIDUAL'S LAST NAME

3c MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

4. This FINANCING STATEMENT covers the following collateral:
AS ON ATTACHED EXHIBIT A

THE COLLATERAL HAS BEEN SOLD BY SELLER TO THE BUYER. IF SELLER RECEIVES POSSESSION OF ANY COLLATERAL, SELLER HOLDS SUCH COLLATERAL IN TRUST FOR THE BUYER OR ITS ASSIGNEE.

5. ALTERNATIVE DESIGNATION (if applicable) LESSEE/LESSOR CONSIGNEE/CONSIGNOR BAILEE/BAILOR SELLER/BUYER AG LIEN NON-UCC FILING

6. This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum 7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (if applicable) (ADDITIONAL FEE) All Debtors Debtor 1 Debtor 2

8. OPTIONAL FILER REFERENCE DATA

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UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
DEANNA MUNSON 952-974-8209

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

**METRO GEM, INC.
 PO BOX 97
 EXCELSIOR, MN 55331**

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a ORGANIZATION'S NAME
METRO II LLC

OR
 1b INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

2c MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
601 CARLSON PARKWAY, SUITE 1250 MINNETONKA MN 55305 USA

1d SEE INSTRUCTIONS ADD'L INFO RE ORGANIZATION DEBTOR 1e TYPE OF ORGANIZATION 1f JURISDICTION OF ORGANIZATION 1g ORGANIZATIONAL ID #, if any
 [REDACTED] **LLC DELAWARE** NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a ORGANIZATION'S NAME

OR
 2b INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

2c MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

2d SEE INSTRUCTIONS ADD'L INFO RE ORGANIZATION DEBTOR 2e TYPE OF ORGANIZATION 2f JURISDICTION OF ORGANIZATION 2g ORGANIZATIONAL ID #, if any
 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a ORGANIZATION'S NAME
ARROWHEAD CAPITAL FINANCE LTD

OR
 3b INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

3c MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

4. This FINANCING STATEMENT covers the following collateral:
AS ON ATTACHED EXHIBIT A

5. ALTERNATIVE DESIGNATION (if applicable): LESSEE/LESSOR CONSIGNEE/CONSIGNOR BAILEE/BAILOR SELLER/BUYER AG LIEN NON-UCC FILING

6. This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum Attach Addendum (if applicable) 7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (OPTIONAL FEE) All Debtors Debtor 1 Debtor 2

8. OPTIONAL FILER REFERENCE DATA

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EXHIBIT A TO FINANCING STATEMENT
FILED BY ARROWHEAD CAPITAL FINANCE LTD.
AGAINST METRO II LLC.

Description of Collateral

DEBIT: Metro II LLC
601 Carlson Parkway
Suite 1250
Minnetonka, MN 55305
Taxpayer Identification Number: [REDACTED]

SECURED PARTY: Arrowhead Capital Finance Ltd.
[REDACTED]
[REDACTED]
[REDACTED]

The financing statement to which this Exhibit A is attached covers the following property: (A) that certain secured promissory note of Petters 1, Inc. (the "Petters 1 Note") dated December 18, 2001 in the original principal amount of \$ 5,065,000.00, (B) all cash collections and other cash proceeds of the Petters 1 Note, including, without limitation, all cash proceeds of the collateral securing the Petters 1 Note and (C) all substitutions and replacements for any of the foregoing, together with all substitutions and replacements for the products of any of the foregoing property and proceeds of any and all of the foregoing property.

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PETTERSCOMPANY, INC

4400 Baker Road, Suite 200
Minnetonka, MN 55343
952-934-9918 (phone)
952-975-2295 (fax)

December 23, 2004

Mr. James Fry
Arrowhead Capital Management
601 Carlson Parkway, Suite 1250
Minnetonka, MN 55305

Dear Mr. Fry:

Please wire \$5,065,000.00 for Purchase Order 39488 to Nationwide Int'l Resources.

First Regional Bank
1801 Century Park East
Los Angeles, CA 90061
ABA # [REDACTED]

Nationwide International Resources, Inc.
ACCT [REDACTED]

If you have any questions, please contact our service agent.

Sincerely

Deanna L. Munson
Vice President, Operations

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Sales Confirmation

This Sales Confirmation is made by PETERS COMPANY, INC. (the "Seller") and PETERS I, INC. (the "Buyer") pursuant to the Sales and Servicing Agreement between them dated as of July 18, 2001. This Sales Confirmation is in addition to, and is not in substitution for, all previous Sales Confirmations given under the Sales and Servicing Agreement.

The following inventory sale is sold by the Seller to the Buyer and constitutes Purchase and Sale Rights under the Sales and Servicing Agreement.

Inventory Seller Name: Nationwide Title Resources Seller Purchase Order No: 39488
Obligor Name: Sam's Club Obligor Purchase Order No: 9209653377
Purchase Price: \$5,067,753⁵⁰

By signing below, Seller represents and warrants that all Conveyed Property, as such term is defined in the Sales and Servicing Agreement, with respect to the Purchase and Sale Rights listed above, is being sold, assigned, transferred and conveyed to Buyer free and clear of all liens, pledges, encumbrances, security interests, charges or other interests created by Seller. Seller has not sold, assigned or otherwise transferred any right or interest in or to the Conveyed Property for any loan or obligation of Seller or for any other purpose.

PETERS COMPANY, INC.

By: [Signature]
Its: UT Operations
Dated: 12/22/04

PETERS I, INC.

By: [Signature]
Its: UT Operations
Dated: 12/22/04

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PETTERS COMPANY, INC.

4400 BAKER ROAD, SUITE 200, MINNETONKA, MN 55343
 PHONE 952-934-9918 FAX 952-975-2295

Selling to Sams

PURCHASE ORDER

TO: NATIONWIDE INT'L RESOURCES
 2346 WESTWOOD BLVD.
 LOS ANGELES, CA 0064

SHIP TO: WILL ADVISE

ORDERED BY:	TOM PETTERS	PURCHASE ORDER NUMBER:	39488
DATE:	12-20-04	SHIP VIA:	BEST WAY
PAYMENT TERMS:	WIRE	F.O.B. POINT	CA

ITEM NO.	DESCRIPTION	UNIT	QTY.	UNIT COST	TOTAL AMOUNT
DAVFR1	SONY DREAM SYSTEM 750W 5.1CH HTS		3,855	\$361.20	\$1,392,426.00
HT6800DP	SONY 840W 6.1CH HOME THEATER SYSTEM		3,900	\$433.45	\$1,690,455.00
DAVFR8	SONY 800W 5.1CH HOME THEATER SYSTEM		3,925	\$505.70	\$1,984,872.50

SUBTOTAL	\$5,067,753.50
Shipping charges	
Handling charges	
Insurance	
Tax rate <input type="text"/> %	Tax \$0.00
TOTAL DUE	\$5,067,753.50

Your receipt and acceptance of this purchase price for the inventory which is the subject of this purchase order shall be deemed acknowledgment of the following: (i) all such inventory is being held by you solely for our account and subject to our instructions, with due care; (ii) you have no further rights in such inventory and will defend title to such inventory on our behalf as well as our successors and assigns; and (iii) all such inventory shall be specifically excluded from any and all liens and security interest in favor of your creditors.

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PURCHASE ORDER

SAM'S CLUB ATT: ACCOUNTS PAYABLE 600 SW 8TH STREET BENTONVILLE, AR 72712-6297		INVOICE TO AND MAIL TO	PURCHASE ORDER NUMBER 9209653377
PH: 501-273-4000 TWX: 910-720-7982 FAX: 53-6223 ANSBK: WALHAR 7F BTVN		ORDER TYPE REBUY REGULAR	1 63
PAYMENT TERMS NET 60	SHIP POINT LOS ANGELES, CA	EVENT BLANKET PO	
CUTTING CALL 5012734300	FREIGHT TERMS COL DN 6	FACTORY	
SHIP TO: AS DIRECTED		VENDOR: 728163131 PETTERS COMPANY, INC. ATTN: TOM PETTERS 4400 BAKER ROAD MINNETONKA, MN 55343	ORDER DATE 12/20/04 SHIP DATE 01/24/05 CANCEL DATE 02/04/05
YOU MUST SIGN THE PACK AND CONTACT US AT...		BUYER: JWILL IAMS/HLD	

CASES ORD- RED	CASE INNER	VENDOR STOCK NO OUR ITEM NUMBER	DESCRIPTION	SIZE COLOR	TOT-LBS CUBE-FT	COST PER CASE	EXTENDED COST AFTER DISCOUNTS	LIN NPP
	UNITS							
	3,555	DAVFR1	SONY DREAM SYSTEM 750W 5.1 CH HTS			\$400.93	\$1,545,585.15	
	3,000	HT6800DP	SONY 840W 6.1 CH HOME THEATER SYSTEM			\$481.12	\$1,876,368.00	
	3,925	DAVFRS	SONY 800W 5.1 CH HOME THEATER SYSTEM			\$561.32	\$2,203,181.00	
	11,680						\$5,625,104.15	
** NO BACK ORDERS PLEASE **								

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FORM OF TRANSMITTAL LETTER

ACF
 Account # [REDACTED]
Transmittal Letter

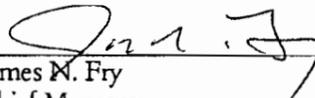
To: Wells Fargo Bank Minnesota, National Association
 MAC N9311-161, Sixth Street and Marquette Avenue
 Minneapolis, Minnesota 55479-0067
 Attention: Asset-Backed Securities

We refer to that certain Amended and Restated Custodial Agreement by and among ArrowHead Capital Finance Ltd., Blue Point Management Ltd. and Wells Fargo Bank Minnesota, National Association dated as of March 27, 2003 (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, Metro II hereby delivers to you the Metro II Security described below.

Metro II Security No.	Orig. Date	Principal Amount	Due Date	Interest Due
[REDACTED] Peters I	12-23-04	\$5,065,000.00	3-23-05	13%

METRO II LLC


 By: James N. Fry
 Its: Chief Manager

Dated: 12-23-04

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