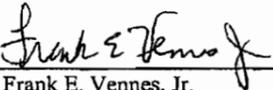


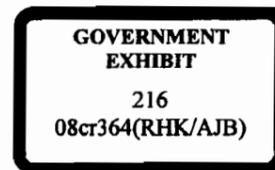
ENDORSEMENT ALLONGE ATTACHED TO \$3,069,000.00
PROMISSORY NOTE DATED AS OF NOVEMBER 3, 1999
EXECUTED BY PETERS COMPANY IN FAVOR OF METRO GEM, INC.

Pay to the order of Arrowhead Capital Finance, Ltd., as their respective interest may appear, with
recourse.

Dated November 3, 1999.

METRO GEM, INC.

By 
Frank E. Vennes, Jr.
Its Chief Executive Officer



ARWLTD000031

0216.0001

NOTE
PROMISSORY NOTE

\$3,069,000.00

Dated: November 3, 1999

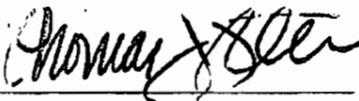
FOR VALUE RECEIVED, the Borrower Petters Company, Inc., a Minnesota corporation, having its address at 7585 Equitable Drive, Eden Prairie, MN 55344, promises to pay to the Holder, Metro Gem, Inc., a Minnesota Corporation, whose address is: PO Box 245, Wayzata, MN 55391, the principal amount of \$3,000,000.00 and payment of profit sharing in the amount of \$69,000.00

Payment on this Note, of the principal and profit sharing is due, and payable to the Noteholder in full on or before November 26, 1999. The Company may at its option prepay this Note in whole or in part at any time without premium or penalty.

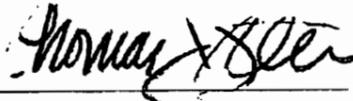
Upon default in the payment of any principal or profit sharing amount remaining due, the aggregate amount of this Note, remaining unpaid, at the Holder's option, shall without notice or demand at once become due together with interest, collection charges, and attorney's fees.

The undersigned and all endorsers, sureties 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 the delivery, acceptance, performance, default, endorsement or guaranty of this instrument.

PETTERS COMPANY, INC.

By 
Thomas J. Petters, President

THOMAS J. PETTERS
PERSONAL GUARANTY

By 

ARWLTD000032

0216.0002

SECURITY AGREEMENT

THIS AGREEMENT is by and between Petters Company, Inc., a Minnesota corporation, having its address at [REDACTED], Eden Prairie, MN 55344 (hereinafter referred to as "Debtor"), Metro Gem, Inc., a Minnesota Corporation, whose address is PO Box 245, Wayzata, MN 55391, (hereinafter referred to as "Secured Party").

For valuable consideration as set forth in the promissory Note entered into by Debtor dated November 3, 1999, 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 a part of its business. The Secured Party agrees that Debtor may, in the ordinary course of Debtor's business, transfer title to or dispose of the merchandise or goods in which a 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.

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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 of 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 referred 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 breach 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.

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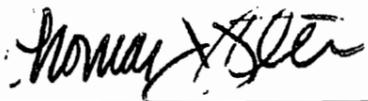
5. Additional Provisions.

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

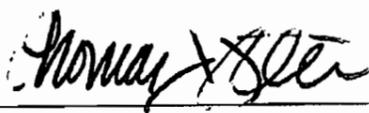
(b) This Agreement is governed by the laws of the State of Minnesota.

(c) Pursuant to paragraph 1, Insurance through A.C.I. is covered and coverage binder has been received by Metro Gem LLC, and Metro Gem LLC shall be listed as loss payee.

Debtor: PETTERS COMPANY, INC.

By: 
Its President

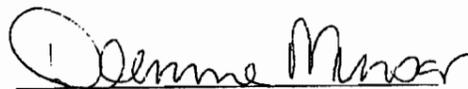
Personal Guaranteed: THOMAS J. PETTERS



Secured Party:



Witness:



ARWLTD000035

0216.0005



STATE OF MINNESOTA
UCC-1 FINANCING STATEMENT

For
Filing
Officer

[Redacted]

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

99 NOV 25 PM 2:25

SEC. OF STATE
MINNESOTA

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 #	Mailing Address		
City	State	Zip Code	
Eden Prairie	MN	55344	
4. Secured Party Name		5. Assignee of Secured Party	
Metro Gem, Inc.			
Mailing Address		Mailing Address	
Post Office Box 245			
City	State	Zip Code	City
Wayzata	MN	55391	

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 record owner)

Merchandise (and proceeds received relating to the merchandise) referred to in Purchaser Order No. [Redacted] received from National Distributors, dated November 3, 1999 up to a total value of \$4,063,137.00. This is purchase money security interest and includes accounts receivable arising from the security interest. Proceeds, if any from credit insurance policy [Redacted] issued by American Credit.

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

RETURN ACKNOWLEDGEMENT COPY TO: (name and address)

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

[Signature]
Debtor's Signature
(Required in Most Cases see Instructions)

Debtor's Signature

Secured Party's Signature

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0216.0008