ENDORSEMENT ALLONGE ATTACHED TO $3,273,000.00
PROMISSORY NOTE DATED AS OF MAY 31, 2000
EXECUTED BY PETTERS 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 May 31, 2000.

METRO GEM, INC.

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

GOVERNMENT
EXHIBIT
217
08cr364(RHK/AJB)

ARWLTD000060

0217.0001

INSTRUMENTS SECURITY AGREEMENT

May 31, 2000

ASSIGNOR/DEBTOR

Metro Gem, Inc.
326 Ferndale Road West
Wayzata, MN 55391

ASSIGNEE/SECURED PARTY

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

1. Securities Interest and Collateral. To secure the payment and performance of each and every debt, liability and obligation of every type and description which either Assignor/Debtor may now or at any time hereafter owe to Assignee/Secured Party (whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct of indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several; all such debts, liabilities and obligations collectively referred to as the **"Obligations"**), Assignor/Debtor hereby grants Assignee/Secured Party a security interest (herein called the **"Security Interest"**) in the property owned by Assignor/Debtor and held by Assignee/Secured Party that is described as a $3,273,000.00 term promissory note (the **"Petters Note"**) from PETTERS, COMPANY, INC. (**"Petters"**) to Assignor/Debtor dated as May 31, 2000 together with all replacements and proceeds of such note and all rights in connection with such note, and together with all collateral given by Petters to Assignor/Debtor to secure the Petters Note, including all proceeds of such collateral (the **"Collateral"**).

Assignee/Secured Party acknowledge that the principal amount of the Petters note may be more than the principal amount of the Obligations so that Assignor/Debtor has equity in the Petters Note. This Agreement grants Assignee/Secured Party a security interest in the entire Petters Note and Assignee/Secured Party are subject to perform under the Loan Agreement of even date by and between Assignor/Debtor and Assignee/Secured Party (**"Loan Agreement"**) for the return Note in excess of the Obligations if such amount(s) were not pledged as additional security on additional loans to one or both of the Assignee/Secured Party pursuant to the Loan Agreement. Assignor/Debtor may grant security interests in the Petters Note to other parties so long as such other security interests are junior to the Security Interest held by Assignee/Secured Party.

2. Representations, Warranties and Covenants. Assignor/Debtor represents, warrants and covenants that:

(a) Assignor/Debtor will duly endorse, in blank, each and every instrument constituting Collateral by signing on said instrument or by signing a separate document of assignment or transfer, if required by Assignee/Secured Party.

(b) Assignor/Debtor is the owner of the Collateral free and clear of all liens, encumbrances, security interests and restrictions, except the Security Interest, and any junior security interest permitted under Section 1.

(c) Assignor/Debtor will keep the Collateral free and clear of all liens, encumbrances and security interests other than the Security Interest and any such liens, encumbrances and security interests not permitted under this Agreement shall be void.

(d) Assignor/Debtor will pay, when due, all taxes and other governmental charges levied or assessed upon or against any Collateral.

(e) At any time, upon request by Assignee/Secured Party all notices, reports or other communications received by Assignor/Debtor as an owner or holder of the Collateral

3. Rights of Assignee/Secured Party. Assignor/Debtor agrees that Assigee/Secured Party may at any time, after the occurrence of an Event of Default and without notice or demand of any kind, (i) notify the obligor on or issuer of any Collateral to make payment to Assignee/Secured Party of any amount due or distributable thereon, (ii) in Assignor/Debtor's name or Assignee/Secured Party's name enforce collection of any Collateral by suit or otherwise, or surrender, release or exchange all or any part of it, or compromise, extend or renew for any period any obligation evidenced by the Collateral, (iii) receive all proceeds of the Collateral, and (iv) hold any increase or profits received from the Collateral as additional security for the Obligations, except that any money received from the Collateral shall, at Assignee/Secured Party's option, be applied in reduction of the Obligations, in Assignor/Debtor pursuant to the Loan Agreement.

4. Events of Default. Any Event of Default under the promissory note from the Assignor/Debtor to Assignee/Secured Party dated as of the date hereof shall be an Event of Default hereunder.

5. Remedies upon Event of Default. Upon the occurrence of an Event of Default and at any time thereafter, Assignee/Secured Party may exercise any one or more of the following rights or remedies: (i) declare all unmatured Obligations to be immediately due and payable, and the same shall thereupon be immediately due and payable, without presentment or other notice or demand; (ii) exercise and enforce any or all rights and remedies available upon default to a Assignee/Secured Party under the Uniform commercial code, including the right to offer and sell the Collateral privately to purchasers who will agree to take the Collateral for investment and not with a view to distribution and who will agree to the imposition of restrictive legends on the certificates representing the Collateral; and if notice to Assignor/Debtor of any intended disposition of the collateral or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given at least 10 calendar days prior to the date of intended disposition or other action (iv) exercise or enforce any or all other rights or remedies available to Assignee/Secured Party by law or agreement against the Collateral, against Assignor/Debtor or against any other person or property.

6. Miscellaneous. Any disposition of the Collateral in the manner provided in Section 5 shall be deemed commercially reasonable. This Agreement can be waived, modified, amended terminated or discharged, and the Security Interest can be released, only explicitly in writing signed by Assignee/Secured Party. A waiver signed by Assignee/Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of Assignee/Secured Party's rights or remedies. All rights and remedies of Assignee/Secured Party shall be cumulative and may be exercised singularly or concurrently, at Assignee/Secured Party's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. All notices to be given to Assignor/Debtor shall be deemed sufficiently given if delivered or mailed by registered or certified mail, postage prepaid, to Assignor/Debtor at it's address set forth above or at the most recent address shown on Assignee/Secured Party's records. Assignee/Secured Party's duty of care with respect to Collateral in its possession (as imposed by law) shall be deemed fulfilled if Assignee/Secured Party exercises reasonable care in physically safekeeping such Collateral or, in the case of collateral in the custody or possession of a bailee or other third person, exercises reasonable care in the selection of the bailee or other third person, and Assignee/Secured Party need not otherwise preserve, protect, insure or care for any Collateral. Assignee/Secured Party shall not be obligated to preserve any rights Assignor/Debtor may have against prior parties, to exercise at all or in any particular manner any voting rights which may be available with respect to any Collateral, to realize on the Collateral at all or in any particular manner or order, or to apply any cash proceeds of collateral in any particular order of application. Assignee/Secured Party may, but shall not be required to, collect any casualty insurance insuring the collateral for the _____ Note. Assignor/Debtor will reimburse Assignee/Secured Party for all expenses (including reasonable attorney's fees and legal expenses) incurred by Assignee/Secured Party in the protection, defense or enforcement of the Security Interest, including expenses incurred in any litigation or bankruptcy or insolvency proceedings. This Agreement shall be binding upon and inure to the benefit of Assignor/Debtor and Assignee/Secured Party and their respective heirs, representatives, successors and assigns and shall take effect when signed by Assignor/Debtor and delivered to Assignee/Secured Party's acceptance hereof. This Agreement shall be governed by the internal laws of Minnesota and, unless the context otherwise requires, all terms used herein which are defined in Articles 1 and 9 of the Uniform Commercial Code, as in effect in Minnesota, shall have the meanings therein stated. If any provision or application

of this agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Obligations. The Assignor/Debtor hereby irrevocable submits to the jurisdiction of the Minnesota District Court, Fourth District, and the Federal District Court, District of Minnesota, Fourth Division, over any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of such action or proceeding may be heard and determined in any such court.

METRO GEM, INC.

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

NOTE [redacted]

PROMISSORY NOTE

$3,273,000.00
Dated: May 31, 2000

FOR VALUE RECEIVED, the Borrower Petters Company, Inc., a Minnesota corporation, having its address at [redacted] 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 $273,00.00

Payment on this Note, of the principal and profit sharing is due, and payable to the Noteholder in full on or before August 30, 2000. 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 changes, 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 _____

ARWLTD000064

0217.0005

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 May 31, 2000, 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.

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 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 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.

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, The Maryland Netherlands Credit Insurance Company is covered and coverage binder has been received by Metro Gem Inc., and Metro Gem Inc. shall be listed as loss payee.

Debtor: PETTERS COMPANY, INC.

By: _____

Its _____

Personal Guaranteed: THOMAS J. PETTERS

_____

Secured Party: _____

Witness: _____

PETTERS COMPANY, INC.

[redacted], EDEN PRAIRIE, MN 55344
PHONE [redacted] FAX [redacted]

PURCHASE ORDER

TO: F.O.C. ELECT.
830 TRACTION AVE.
LOS ANGELES, CA 90013

SHIP TO: WILL ADVISE

ORDERED BY:	TOM PETTERS	*PURCHASE ORDER NUMBER:*	[redacted]
DATE:	5-31-00	*SHIP VIA:*	BEST WAY
PAYMENT TERMS:	NET	*PARTIAL SHIPMENT ALLOWED:*	YES
		CANCEL DATE:	

ITEM NO.	DESCRIPTION	UNIT	QTY.	UNIT COST	TOTAL AMOUNT
KV27S42	SONY 27" S SERIES STEREO TV		4140	$275.00	914,375.00
KV32V68	SONY 32" V SERIES TRINITRON PIP TV		3325	$815.00	2,709,875.00

SUBTOTAL	3,624,250.00
Shipping charges	
Handling charges	
Insurance	
Tax rate [ ] % Tax	
TOTAL DUE	3,624,250.00

SPECIAL INSTRUCTIONS

ARWLTD000068

NATIONAL DISTRIBUTORS

999 LAKE DRIVE
ISSAQUAH, WA 98027

PURCHASE ORDER #:
[redacted]

TERMS	CALL FOR DELIVERY APPT:
NET 30	[redacted]

WILL NOT ACCEPT MDSE. BEFORE	6/30/00
WILL NOT ACCEPT MDSE. AFTER	7/25/00

Purchased: PETTERS COMPANY
[redacted]
EDEN PRAIRIE, MN 55344

Ship To: NATIONAL DISTRIBUTORS
11600 RIVERSIDE DR. #A
MIRA LOMA, CA 91752

Vendor #: [redacted]
Date: 5/31/00
Ship Via: CALL
F.O.B. CA
Issued By: HAGGBLOOM
Date Issued: 5/31/00

CODE	QUANTITY	DESCRIPTION	UNIT COST	TOTAL
KV27S42	4140	SONY 27" S SERIES STEREO TV	$ 339.00	$ 1,403,460.00
KV32V68	3325	SONY 32" V SERIES TRINITRON PIP TV	$ 852.00	$ 2,832,900.00
				$ 4,236,360.00

IMPORTANT:

1. Please acknowledge and advise shipping date at once.
2. Price changes or substitutes will not be accepted without prior notice and written consent of buyer.
3. Merchandise must be first quality and in saleable condition.
4. All original serial number, identification number and codes must remain intact on merchandise and packaging.

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)

00 JUN 21 AM 12:3
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 # [redacted]	Mailing Address [redacted]		
City Eden Prairie		State MN	Zip Code 55344

4. Secured Party Name Metro Gem, Inc.			5. Assignee of Secured Party		
Mailing Addresss Post Office Box 245			Mailing Address		
City Wayzata	State MN	Zip Code 55391	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 record owne

Merchandise (and proceeds received relating to the merchandise) referred to in Purchaser Order No[redacted] received from National Distributors, dated May 31, 2000 up to a total value of $4,236,360.00. This is purchase money security interest and includes accounts receivable arising from the security interest. Proceeds, if any from credit insurance policy [redacted] ssued by Maryland Netherlands Credit Insurance Company.

_____ Debtor is a transmitting utility as defined by Minnesota Statutes Chapter 336.9-1

RETURN ACKNOWLEDGEMENT COPY TO: (name and address)

Petters Company, Inc.
[redacted]
Eden Prairie, MN 55344

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

Debtor's Signature

Secured Party's Signature

ARWLTD000070

0217.0011

.ATIONAL CLOTHING COMPANY, C.
P.O. BOX 33
ISSAQUAH, WA 98027

102
1250

SE/ ST BANK
Office
Al Colu.. Seafirst Center
P.O. Box 3586
Seattle, WA 98124

CHECK NUMBER 27860

VENDOR NO.
[redacted]

CHECK DATE
8/23/00

CHECK AMOUNT
$4,236,360.00

Security features are included.

NOT VALID AFTER SIX MON

Four Million Two Hundred Thirty Six Thousand
Three Hundred Sixty and No Cents

Y TO THE ORDER OF PETTERS CO. INC.
[redacted]

EDEN PRAIRIE MN 55344

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE (TWO SIGNATURES REQUIRED

[redacted]

ARWLTD000071

0217.0012