

PROMISSORY NOTE

NOTE #1036

**COPY**

\$2,709,750.00.

Dated: June 13, 2001

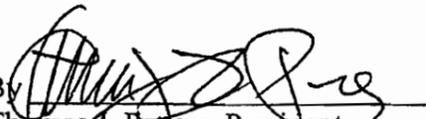
FOR VALUE RECEIVED, Petters Company, Inc., a Minnesota Corporation, (the "Borrower") having its address at 7585 Equitable Drive, Eden Prairie, MN. 55344, promises to pay to Metro Gem Capital, LLC, a Delaware limited liability company whose address is 120 South Sixth Street, Suite 2650, Minneapolis, MN 55402, and its successors and assigns (the "Holder") the principal amount of \$2,709,750.00, and interest in the amount of \$162,585.00.

Payment on this Note, of the principal and interest is due, and payable to the Holder in full on or before September 11, 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.

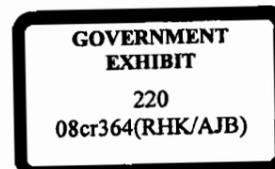
The undersigned and all endorsers, securities and guarantors here of, jointly and severally, waive presentment, demand for payment, notice of dishonor, notice of protest and protest and all other notices or demands in connection with delivery, acceptance, performance, default, endorsement or guaranty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

PETTERS COMPANY, INC.

By   
Thomas J. Petters, President

THOMAS J. PETTERS  
PERSONAL GUARANTY

By 



ARWLTD005768

0220.0001

## 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 13, 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.

ARWLTD005769

0220.0002

- (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.

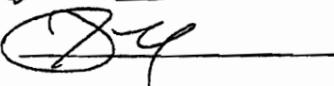
No modification of this Agreement will be effective unless it is in writing and is signed by all parties. This Agreement binds and benefits all parties and successors.

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.

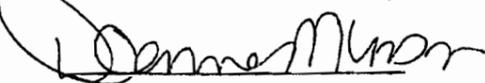
Debtor: Petters Company, Inc.

By: 

Its: 

*MEZMO CAPITAL LLC BY*

Secured Party: 

Witness: 

ARWLTD005770

0220.0003

**ArrowHead Capital Finance Receipt and Verification Certification**

To: ArrowHead Capital Finance, Ltd.  
The Continental Building, 2<sup>nd</sup> 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:

<u>Date/Number of Note</u>	<u>Issuer</u>	<u>Principal Amount</u>	<u>Stated Interest</u>
6/13/2001 # 1036	PCI	\$2,709,750.00	\$162,585.00

- (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: 6/12/01

WELLS FARGO BANK MINNESOTA,  
NATIONAL ASSOCIATION, as Custodian

By *Allen B. O'Connor*  
Its Corporate Trust Officer *AWP*

ARWLTD005771

0220.0004

ACF

Account # [REDACTED]

ArrowHead Capital Finance Request for Release of Notes

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

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 connection with the administration of the Notes held by you as the Custodian for the Purchaser, we certify that the Note listed below has been finally paid and settled. Upon your confirmation of receipt of the required payment amount set forth below, we request the release of such Note and direct the Custodian to forward such Note by courier or overnight delivery at the Master Servicer's expense to: ArrowHead Capital Management Corp., 120 South Sixth Street, Suite 2650, Minneapolis, MN 55402, Attn: James N. Fry

Table with 5 columns: Note No. Issuer, Orig. Date, Principal Amount, Due Date, Interest Due. Row 1: PCI #1003, 2-20-01, 10,000,000.00, 5-21-01, \$600,000.00

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

Dated: \_\_\_\_\_

ARROWHEAD CAPITAL MANAGEMENT CORP.

By [Signature]
Its [Signature] CEO

Handwritten notes: 2/3/01 - #ACF-005 - METRO GEM, INC - 3,300,000.00 - 99,750.00
2/3/01 - #ACF-006 - METRO GEM, INC - 99,750.00 - 2,992.00
2/4/01 - #ACF-004 - METRO GEM, INC - 99,750.00 - 2,992.00

ARWLTD005772

0220.0005



#1036

### UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A NAME & PHONE OF CONTACT AT FILER [optional]

B SEND ACKNOWLEDGMENT TO: (Name and Address)

Metro Gem, Inc.  
PO Box 245  
Wayzata, MN 55391

FILING NUMBER: 20011479105  
 DATE: 9-26-01  
 TIME: 1:40 pm  
 STATE OF MINNESOTA  
 OFFICE: SECRETARY OF STATE *VB*

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a INITIAL FINANCING STATEMENT FILE # 20011479105 (7-17-01) 1b This FINANCING STATEMENT AMENDMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS.

2  TERMINATION Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement

3  CONTINUATION Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

4  ASSIGNMENT (full or partial) Give name of assignee in item 7a or 7b and address of assignee in item 7c; and also give name of assignor in item 9.

5 AMENDMENT (PARTY INFORMATION): This Amendment affects  Debtor or  Secured Party of record. Check only one of these two boxes. Also check one of the following three boxes and provide appropriate information in items 6 and/or 7.

CHANGE name and/or address. Give current record name in item 6a or 6b; also give new name (if name change) in item 7a or 7b and/or new address (if address change) in item 7c.  DELETE name: Give record name to be deleted in item 6a or 6b.  ADD name: Complete item 7a or 7b and also item 7c, also complete items 7d-7g (if applicable)

6 CURRENT RECORD INFORMATION

6a ORGANIZATION'S NAME

OR 6b INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

7 CHANGED (NEW) OR ADDED INFORMATION

7a ORGANIZATION'S NAME

OR 7b INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

7c MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

7d TAX ID # SSN OR EIN ADDL INFO RE ORGANIZATION DEBTOR 7e TYPE OF ORGANIZATION 7f JURISDICTION OF ORGANIZATION 7g ORGANIZATIONAL ID #, if any  NONE

8 AMENDMENT (COLLATERAL CHANGE): check only one box Describe collateral  deleted or  added, or give entire  restated collateral description, or describe collateral  assigned

9 NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT (name of assignor, if this is an Assignment) If this is an Amendment authorized by a Debtor which adds collateral or adds the authorizing Debtor or if this is a Termination authorized by a Debtor, check here  and enter name of DEBTOR authorizing this Amendment.

9a ORGANIZATION'S NAME

OR 9b INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

Metro Gem Capital, LLC - 120 South Sixth St. (#2650) Minneapolis, MN 55402

10 OPTIONAL FILER REFERENCE DATA

FILING OFFICE COPY — NATIONAL UCC FINANCING STATEMENT AMENDMENT (FORM UCC3) (REV. 07/29/98)

ARWLTD005773

0220.0006

NOTE 1036

**PETTERS COMPANY, INC.**

7585 EQUITABLE DRIVE, EDEN PRAIRIE, MN 55344  
 PHONE 952-934-9918 FAX 952-975-2295

**PURCHASE ORDER**

TO: NATIONWIDE INTERNATIONAL RESOURCES, INC. SHIP TO: WILL ADVISE  
 2346 WESWOOD BLVD.  
 SUITE 8  
 LOS ANGELES, CA 90064

ORDERED BY:	TOM PETTERS	PURCHASE ORDER NUMBER:	35848
DATE:	7-16-01	SHIP VIA:	BEST WAY
PAYMENT TERMS:	NET	PARTIAL SHIPMENT ALLOWED:	YES

ITEM NO.	DESCRIPTION	UNIT	QTY.	UNIT COST	TOTAL AMOUNT
DVPNS300	SONY DVD/CD PLAYER		2,648	\$133.00	352,184.00
SAWM40	SONY 12" 120-WATT SURROUND SOUND		1,933	\$148.40	286,857.20
HTDDW830	SONY 550 WATT DIGITAL HOME THEATHER		3,149	\$296.55	933,835.95
KV27FS13	SONY 27" TRINITRON WEGA TV		3,010	\$497.85	1,498,528.50
<b>SUBTOTAL</b>					3,071,405.65
Shipping charges					
Handling charges					
Insurance					
Tax rate <input type="text"/> % Tax					
<b>TOTAL DUE</b>					3,071,405.65

**SPECIAL INSTRUCTIONS**

ARWLTD005774

0220.0007

PURCHASE ORDER

PO # SUM05861X

TO PETERS COMPANY, INC  
7585 EQUITABLE DR

P.O. PAGE 1 OF 1

ORDER DATE 7/13/01  
REQUIRED DELIVERY 7/30/01

EDEN PRAIRIE MN 55344-0000  
TEL 952-974-1899  
FAX #

BJ'S #820 BRISTOL DISTRB CENT  
42 RUNWAY RD 215-547-8980  
LEVITTOWN PA 19057-0000

FRIHT TERMS COLLECT PURCHASER PAYS FOB: ORIGIN  
FLORIDA FREIGHT CLASS 87.5  
ROUTING INSTRUCTIONS A TO Z TRANSPORTATION

AP# 08/15/96453 PAYMENT TERMS  
CD PCT CUTOFF DISC NET

TRANSMITTED: FAX

LINE NO.	BJ'S SKU	DESCRIPTION	MFG STYLE NO.	UPC	UNITS ORDERED	CASE PACK	CASES ORDERED	PALLET PATTERN	COST	EA	EXTENDED COST
1		SONY 550 WATT DIGITAL HOME THEATER	HT-DDW830		3149				\$346.96	EA	\$1,092,577.04
2		SONY DVD/CD PLAYER	DVPNS300		2648				\$155.65	EA	\$412,161.20
3		SONY 12"120 WATT POWERED SUBWOOFER	SAWM40		1933				\$173.91	EA	\$336,168.03
4		SONY 27" TRINITRON WEGA STEREO TV W 2 PIP	KV27FS13		3010				\$582.50	EA	\$1,753,325.00
											\$3,594,231.27

CONTACT BUYING OFFICE IMMEDIATELY IF THERE ARE ANY DISCREPANCIES ON THIS PURCHASE ORDER

ARWLTD005775

0220.0008

1036

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

FILING NO: 2001479105  
FILING DATE: 2001/07/17  
FILING TIME: 5:00 P.M.  
STATE OF MINNESOTA  
FILING OFFICE: SECRETARY OF STATE

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Peters Company, Inc.  
7885 Equitable Drive  
Eden Prairie, MN 55344

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  
Peters Company, Inc.

OR

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

1c. MAILING ADDRESS  
7885 Equitable Drive CITY: Eden Prairie STATE: MN POSTAL CODE: 55344 COUNTRY: USA

1d. TAX ID # SSN OR EIN ADDL INFO RE ORGANIZATION DEBTOR 1e. TYPE OF ORGANIZATION Corporation 1f. JURISDICTION OF ORGANIZATION Minnesota 1g. ORGANIZATIONAL ID #, if any 8F-657  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. TAX ID # SSN OR EIN ADDL 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 or ASSIGNOR (S/P) - Insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME  
Metro Gem Capital, LLC.

OR

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

3c. MAILING ADDRESS  
120 South 6<sup>th</sup> St., Suite 2650 CITY: Minneapolis STATE: MN POSTAL CODE: 55402 COUNTRY: USA

4. This FINANCING STATEMENT covers the following collateral:

Merchandise (and Proceeds received relating to the merchandise) referred to in Purchase Order No. SUM05881X received from B.J's Wholesale Club dated July 13, 2001 up to a total value of \$3,594,231.27. This is purchase money security interest and includes accounts receivable arising from the security interest. Proceeds, if any from credit insurance policy DA-76354 issued by Maryland Netherlands Credit Insurance Company.

5. ALTERNATIVE DESIGNATION (if applicable):  LESSEE/LESSOR  CONSIGNEE/CONSIGNOR  SALES/BALDR  BELLER/BUYER  AG. LEN  NON-UCC FILING

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

8. OPTIONAL FILER REFERENCE DATA

ARWLTD005778

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