

PROMISSORY NOTE

NOTE #1048

ORIGINAL

\$162,000.00.

Dated: September 12, 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 \$162,000.00. and interest in the amount of \$9,720.00.

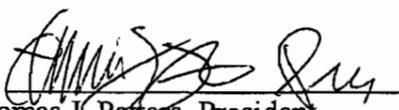
Payment on this Note, of the principal and interest is due, and payable to the Holder in full on or before December 11, 2001. The Borrower may at its option prepay this Note in whole or in part at any time without premium or penalty; provided, however, that interest will be adjusted pro rata in the event of prepayment or late payment.

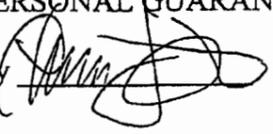
Upon default in the payment of any principal or interest remaining due, the aggregate amount of this Note, remaining unpaid, at the Holder's option, shall without notice or demand at once become due together with interest, collection charges, and attorney's fees.

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.

THOMAS J. PETTERS
PERSONAL GUARANTY

By 
Thomas J. Petters, President

By 

GOVERNMENT
EXHIBIT
223
08cr364(RHK/AJB)

PAID
Date MT 12-11-01

ARWLTD005976

0223.0001

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

Note No. Issuer	Orig. Date	Principal Amount	Due Date	Interest Due
# 1048 PCI	9/12/01	\$162,000.00	12/11/01	\$9,720.00

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

Dated: 12/12/01

ARROWHEAD CAPITAL MANAGEMENT CORP.

By [Signature]
Its PCS

ARWLTD005977

0223.0002

PROMISSORY NOTE

NOTE #1048

COPY

\$162,000.00.

Dated: September 12, 2001

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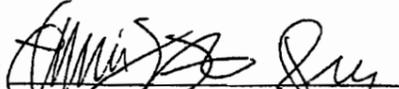
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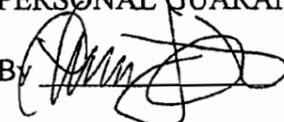
Upon default in the payment of any principal or interest remaining due, the aggregate amount of this Note, remaining unpaid, at the Holder's option, shall without notice or demand at once become due together with interest, collection charges, and attorney's fees.

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.

THOMAS J. PETTERS
PERSONAL GUARANTY

By 
Thomas J. Petters, President

By 

ARWLTD005978

0223.0003

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 September 12, 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.

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- (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.

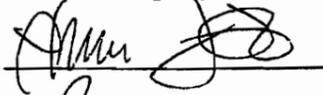
4. Modification.

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: 

Metro Gen Capital LLC

Secured Party: 

Witness: 

ARWLTD005980

0223.0005

PETTERS COMPANY, INC.

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

PURCHASE ORDER

TO: LECTRONIX
 5518 VAN NUYS BLVD.
 VAN NUYS, CA 91401

SHIP TO: WILL ADVISE

ORDERED BY:	TOM PETTERS	PURCHASE ORDER NUMBER:	35622
DATE:	9-11-01	SHIP VIA:	BEST WAY
PAYMENT TERMS:	NET	PARTIAL SHIPMENT ALLOWED:	YES

ITEM NO.	DESCRIPTION	UNIT	QTY.	UNIT COST	TOTAL AMOUNT
HP940CSE	HP DESKJET		1,123	\$110.00	123,530.00
PH1220CSE	HP DESKJET PROFESSIONAL SERIES PRINTER		1,279	\$211.40	270,380.60
HPPSC750	HP COLOR FLATBED		1,244	\$227.60	283,134.40
HP3200SE	HP LASERJET PRINTER/FAX/COPIER/SCANNER		952	\$445.00	423,640.00
HP4100N	HP LASERJET 4100 PRINTER		845	\$829.25	700,716.25
SUBTOTAL					1,801,401.25
Shipping charges					
Handling charges					
Insurance					
Tax rate <input type="text"/> % Tax					
TOTAL DUE					1,801,401.25

SPECIAL INSTRUCTIONS

ARWLTD005981

0223.0006

211062550 211
 [Signature]

PA#	84539	Invoice#	9-24-01
Vendor	DETTES	Cancel	10-24-01
Ship Point		Freight	
Terms	N/ET 60	Trade	
Boscon's			
Purchase Order			
Style	Description	Qty	SKU
HP 1450	HP LASERJET 4100 P/B/RT/PC 450 MILE PROCESSOR	345	4110-12
HP 2000SE	HP LASERJET P/B/RT/PC FAX 700PIEC/SOUNDER	952	4220-39
HP 7200G3A	HP DESKJET BROTHERS/STANDARD SERIES P/B/RT/PC	1219	4271-35
HP 9400G3A	HP DESKJET	1225	4211-64
HP 9200G3A	HP COLOR FACSIMILE ALL-IN-ONE	1044	4266-28
Total: 21062550.24			

DEPT. 644
 PURCHASE: PETERS COMPANY - JAW
 VENDOR: COI
 BUYER: [Signature]

Buyer [Signature]

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UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

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

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

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

FILING NUMBER: 332040002
DATE: 9/13 2001
TIME: 10:56 A.M.
STATE OF MINNESOTA
OFFICE: SECRETARY OF STATE 80

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 Company, Inc.				
OR				
1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS 7585 Equitable Drive		CITY Eden Prairie	STATE MN	POSTAL CODE 55344
1d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION Corporation	1f. JURISDICTION OF ORGANIZATION Minnesota	1g. ORGANIZATIONAL ID #, if any 8F-657 <input type="checkbox"/> 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
2d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> 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 Gem Capital, LLC.				
OR				
3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS 120 South 6 th St., Suite 2650		CITY Minneapolis	STATE MN	POSTAL CODE 55402

4. This FINANCING STATEMENT covers the following collateral:
Merchandise (and Proceeds received relating to the merchandise) referred to in Purchase Order No84539 received from Boscov's dated September 11, 2001 up to a total value of \$2,106,238.24. 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 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 (if applicable)

7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (optional) All Debtors Debtor 1 Debtor 2

8. OPTIONAL FILER REFERENCE DATA

ARWLTD005983

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ACF

Account: [REDACTED]

ArrowHead Capital Finance Receipt and Verification Certification

To: ArrowHead Capital Finance, Ltd.
The Continental Building, 2nd 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:

Note No. Issuer	Orig. Date	Principal Amount	Due Date	Interest Due
# 1048	9/12/01	\$ 102,000.00	12/11/01	\$ 9,720.00

- (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 collectibility 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: 9/13/01

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, as Custodian

By Jennifer C. Davis

Its JENNIFER C. DAVIS
Assistant Vice President

MI:725847.01

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