

ORIGINAL

NOTE # 032202-3019

SECURITY AGREEMENT

DATE: March 22, 2002

DEBTOR: Metro Gem Capital II LLC
2650 One Financial Plaza
120 South Sixth Street
Minneapolis, MN 55402
Taxpayer Identification Number: [REDACTED]

SECURED PARTY: Arrowhead Capital Finance Ltd.
The Continental Building
2nd Floor, 25 Church Street
Hamilton, Bermuda HM12

1. Security Interest and Collateral. In order to secure the performance of every liability and obligation that Debtor may now or at any time hereafter owe to Secured Party pursuant to (i) that certain Secured Promissory Note of Debtor dated the date hereof in the original principal amount of \$2,094,750 (ii) that certain Security Purchase Agreement dated the date hereof (the "Purchase Agreement") among Debtor, Secured Party and Blue Point Management Ltd. and (iii) this Agreement (whether any of the foregoing such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is absolute or contingent, liquidated or unliquidated, all such debts, liabilities and obligations and any amendments, extensions, renewals or replacements thereof collectively referred to herein as the "Obligations"), Debtor hereby grants Secured Party a first priority security interest (the "First Priority Security Interest") in the following (collectively, the "Collateral"): (A) that certain secured promissory note of Petters I, Inc. (the "Petters I Note") dated the date hereof in the original principal amount of \$2,100,000, (B) all cash collections and other cash proceeds of the Petters I Note, including, without limitation, all cash proceeds of the collateral securing the Petters I Note and (C) all substitutions and replacements for any of the foregoing, together with all substitutions and replacements for and products of any of the foregoing property and proceeds of any and all of the foregoing property. As used herein, UCC means the Uniform Commercial Code as in effect now or hereafter in the State of Minnesota and any other jurisdiction where Collateral is located.

2. Representations, Warranties and Agreements. Debtor represents, warrants and agrees that:

A. Debtor is a limited liability company organized under the laws of the State of Delaware. Debtor's exact legal name is as set forth at the beginning of this Agreement, and such name has been the Debtor's exact legal name at all times in the six months previous to the execution of this Agreement. Debtor will preserve its corporate existence and will not, either by one transaction or a series of transactions, merge into or consolidate with any other entity. Debtor will not change the state of its incorporation or organization. Debtor will not change its corporate name without providing Secured Party prior written notice of such change. Debtor's organizational identification number (such as its charter number) and its taxpayer identification number are as shown at the beginning of this Agreement.

B. This Agreement has been duly and validly authorized by all necessary corporate action by Debtor, and Debtor has full power and authority to execute this Agreement, to perform Debtor's obligations hereunder and to subject the Collateral to the Security Interest.

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C. Debtor's chief place of business is located at the address shown at the beginning of this Agreement. Debtor's records concerning its accounts and contract rights are kept at such address.

D. Debtor will take all such actions as Secured Party may reasonably request to permit Secured Party to establish and perfect the Security Interest, including but not limited to the execution, delivery, endorsement of, or assistance in obtaining any and all instruments, documents, assignments, security agreements, control agreements, bailee acknowledgements and other agreements and writings that Secured Party may at any time reasonably request in order to secure, protect, perfect or enforce the Security Interest and Secured Party's rights under this Agreement. Debtor hereby authorizes the filing of such financing statements against it as Secured Party shall deem prudent describing the Collateral.

E. Debtor has (or will have at the time Debtor acquires rights in Collateral hereafter arising) absolute title to each item of Collateral free and clear of all security interests, liens and encumbrances. Debtor will keep all Collateral free and clear of all security interests, liens and encumbrances except the Security Interest, and will defend the Collateral against all claims or demands of all persons other than Secured Party. Debtor will promptly pay all taxes and other governmental charges levied or assessed upon or against any Collateral or upon or against the creation, perfection or continuance of the Security Interest.

F. Until the Obligations are satisfied in full, Debtor will not, without Secured Party's prior written consent, sell any of the Collateral or enter into any agreement that is inconsistent with Debtor's obligations or Secured Party's rights under this Agreement. Debtor further agrees that it will not take any action, or permit any action to be taken by others under its control, including licensees, or fail to take any action, that would affect the validity of the security interest granted hereunder or enforcement of Secured Party's rights in the Collateral.

G. Debtor will keep accurate and complete records pertaining to the Collateral and pertaining to Debtor's business and financial condition and submit to Secured Party such periodic reports concerning the Collateral and Debtor's business and financial condition as Secured Party may from time to time reasonably request.

H. Debtor will at all reasonable times permit Secured Party or its representatives to examine or inspect any Collateral, wherever located, and to examine, inspect and copy Debtor's books and records pertaining to the Collateral and its business and financial condition.

I. If Secured Party at any time so requests after the occurrence of an Event of Default, Debtor will promptly transfer to Secured Party any instrument, document, or chattel paper constituting the Collateral, duly endorsed or assigned by Debtor.

J. Debtor will pay when due or reimburse Secured Party on demand for all costs of collection of any of the Obligations and all other out-of-pocket expenses (including in each case all reasonable attorneys' fees) incurred by Secured Party in connection with the satisfaction, protection, defense or enforcement of the Security Interest or of the Obligations, including expenses incurred in any litigation or bankruptcy or insolvency proceedings.

K. If Debtor at any time fails to perform or observe any agreement contained in this Section 2, Secured Party may (but need not) perform or observe such agreement on behalf and in the name, place and stead of Debtor (or, at Secured Party's option, in Secured Party's own name) and may (but need not) take any and all other actions which Secured Party may reasonably deem necessary to cure or correct such failure and; except to the extent that the effect of such payment

would be to render any loan or forbearance of money usurious or otherwise illegal under any applicable law, Debtor shall thereupon pay Secured Party on demand the amount of all monies expended and all costs and expenses (including reasonable attorneys' fees) incurred by Secured Party in connection with or as a result of Secured Party's performing or observing such agreements or taking such actions, together with interest thereon from the date expended or incurred by Secured Party at the highest rate then applicable to the Obligations. To facilitate the performance or observance by Secured Party of such agreements of Debtor, Debtor hereby irrevocably appoints (which appointment is coupled with an interest) Secured Party, or its delegate, as the attorney-in-fact of Debtor with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file, in the name and on behalf of Debtor, any and all instruments, documents, financing statements, applications for insurance and other agreements and writings required to be obtained, executed, delivered or endorsed by Debtor under this Section 2.

3. Events of Default. The occurrence of any of the following shall, at the option of the Secured Party, be an Event of Default:

A. Any "Event of Default" (as defined in such agreement) by Debtor under any note or any other agreement evidencing the Obligations;

B. Debtor's failure to comply with any representation, warranty or covenant hereunder if not cured within ten (10) days after written notice;

C. Transfer or disposition of any of the Collateral, except as permitted by this Agreement; or

D. Attachment, execution or levy on any of the Collateral.

4. Remedies upon Event of Default. Upon the occurrence of an Event of Default and at any time thereafter, Secured Party may exercise any one or more of the following rights and remedies:

A. exercise and enforce any or all rights and remedies available upon default to a secured party under the UCC, including but not limited to the right to take possession of any Collateral, proceeding without judicial process or by judicial process (without a prior hearing or notice thereof, which Debtor hereby expressly waives), and the right to sell, lease, license, or otherwise dispose of any or all of the Collateral, and in connection therewith, Secured Party may require Debtor to make the Collateral available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties, and if notice to Debtor of any intended disposition of Collateral or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in Section 5) ten (10) calendar days prior to the date of intended disposition or other action; or

B. exercise or enforce any or all other rights or remedies available to Secured Party by law or agreement against the Collateral, against Debtor or against any other person or property.

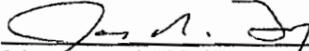
5. Miscellaneous. This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by both Secured Party and Debtor. A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of Secured Party's rights or remedies. All rights and remedies of Secured Party shall be cumulative and may be exercised singularly or concurrently, at 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

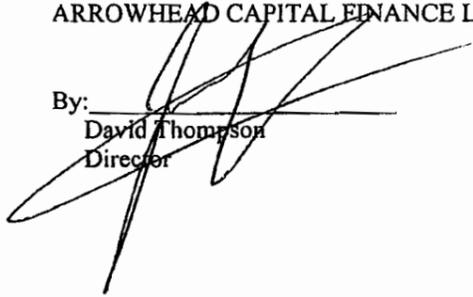
enforcement of any other. All notices to be given to Debtor shall be deemed sufficiently given when mailed by registered or certified mail, postage prepaid, to Debtor at its address set forth above or at the most recent address shown on Secured Party's records. This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective heirs, representatives, successors and assigns and shall take effect when signed by Debtor and delivered to Secured Party, and Debtor waives notice of Secured Party's acceptance hereof. The failure of Secured Party to execute this Agreement shall not affect or impair the validity or effectiveness of this Agreement. This Agreement shall be governed by the internal laws of the State of Minnesota. 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.

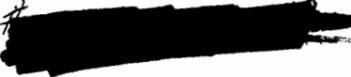
IN WITNESS WHEREOF, each of the parties has caused this Security Agreement to be executed in the manner appropriate for each, and to be dated as of the date first above written.

METRO GEM CAPITAL II LLC

ARROWHEAD CAPITAL FINANCE LTD.

By: 
Its: Manager and Chief Executive
Officer

By: 
David Thompson
Director

NOTE # 

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PETTERS COMPANY, INC.

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

PURCHASE ORDER

TO: NATIONWIDE INT'L RESOURCES
2346 WESTWOOD BLVD
LOS ANGELES, CA 90064

SHIP TO: WILL ADVISE

ORDERED BY:	TOM PETTERS	PURCHASE ORDER NUMBER:	37073
DATE:	3-22-02	SHIP VIA:	BEST WAY
PAYMENT TERMS:	WIRE	F.O.B. POINT	CA

ITEM NO.	DESCRIPTION	UNIT	QTY.	UNIT COST	TOTAL AMOUNT
DBV30	CASIO TECHNOWEAR WATCH		5,120	\$39.77	203,622.40
JY70	CASIO HANDHELD 2.3" TV		4,495	\$45.70	205,421.50
TV880	CASIO HANDHELD 2.3" TV		5,560	\$57.14	317,698.40
TV1900	CASIO HANDHELD 2.7" TV		4,050	\$74.96	303,588.00
EV570	CASIO 2.5" HANDHELD TV		4,315	\$108.50	468,177.50
VM50000CBO	CASIO 5" CAR TV		4,660	\$211.75	986,755.00

SUBTOTAL	2,485,262.80
Shipping charges	
Handling charges	
Insurance	
Tax	
TOTAL DUE	2,485,262.80

Tax rate %

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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Sales Confirmation

This Sales Confirmation is made by PETTERS COMPANY, INC. (the "Seller") and PETTERS 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 Int'l Resources Seller Purchase Order No: 37073
Obligor Name: BOSCOUS Obligor Purchase Order No: 85902
Purchase Price: \$ 2,485,262⁸⁰

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.

PETTERS COMPANY, INC.
By [Signature]
Its VP, Operations
Dated: 3-26-02

PETTERS I, INC.
By [Signature]
Its VP, Operations
Dated: 3-26-02

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Wire Information to Petters:

Petters Company, Inc
7585 Equitable Drive
Eden Prairie, MN 55344
Account [REDACTED]

M & I Bank
P.O. Box 2035
Milwaukee, WI
ABA [REDACTED]

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SECURED PROMISSORY NOTE

No. [REDACTED]

COPY

\$2,100,000.00

Minneapolis, Minnesota
March 22, 2002

FOR VALUE RECEIVED, the undersigned, PETERS I, INC. a Minnesota corporation (the "Company") promises to pay to the order of METRO GEM CAPITAL 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 Two Million One Hundred Thousand and No Cents United States Dollars (\$2,100,000.00) (the "Principal Amount") on the earlier of (i) the June 20, 2002 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 Twenty Four percent (24%). 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.

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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 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 all interest accrued and paid on this Note will qualify for exemption from United States withholding tax as "portfolio interest," under Code Sections 871(h)(2) and 881(c)(2) of the Code and the applicable Treasury Regulations promulgated thereunder, and as a result, 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 withholding under Sections 3406, 1441 and 1442 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, the Holder hereby represents, warrants and covenants to the Company that such noteholder is and will 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. Notwithstanding any other provision in this paragraph 4, any holder of this Note that is a United States person will be subject to limitations under the United States income tax laws.

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 two accurate and complete original signed copies of 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 under this Note, 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 Noteholder in respect of taxes so withheld or deducted or imposed by the United States if such

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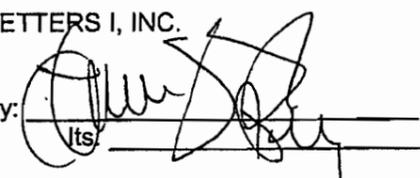
Holder or noteholder has not provided to the Company the IRS forms required to be provided to the Company pursuant to this Note.

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 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 Custodial Agreement by and between ArrowHead Capital Finance Ltd. and Wells Fargo Bank Minnesota, National Association dated as of December 3, 2001 (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
3019	3/22/02	2,100,000	6/20/02	126,000

Dated: 3/22/02

METRO GEM CAPITAL II LLC

By [Signature]
Its [Signature]

M1:742072.04

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FORM OF RECEIPT AND VERIFICATION CERTIFICATION

ACF
 Account # [REDACTED]
Receipt and Verification Certification

To: Metro Gem Capital II LLC

Re: Custodial Agreement by and between ArrowHead Capital Finance Ltd. and Wells Fargo Bank Minnesota, National Association dated as of December 3, 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 Metro II Security:

Security No.	Orig. Date	Principal Amount	Due Date	Interest Due
032202-3019	3/22/02	\$2,100,000.00	6/20/02	24%/year

- (i) the Custodian is in receipt of the Metro II Security;
- (ii) the Metro II Security appears to be the original signed Metro II Security and each of the name of the issuer, the date of the Metro II Security and the original principal amount of the Metro II Security conforms to the information set forth above; and
- (iii) the Custodian is holding the Metro II Security as agent for, and on behalf of, you.

The Custodian has made no independent examination of the Metro II Security 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 Metro II Security.

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

Dated: 3/22/02

WELLS FARGO BANK MINNESOTA,
 NATIONAL ASSOCIATION, as Custodian

By Jennifer C. Davis
 Its Jennifer C. Davis
 Assistant Vice President

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