

GUARANTY

October 11, 2002

FOR VALUABLE CONSIDERATION, and to induce the Lenders (the "Lenders"), as defined in that certain Master Loan Agreement, dated as of October 11, 2002, among Thousand Lakes LLC, a Delaware limited liability company (the "Borrower"), the Lenders party thereto from time to time and RWB Services, LLC, as Administrative Agent (the "Administrative Agent") (the "Loan Agreement"), to make loans or extend other accommodations to or for the account of the Borrower, **PETTERS COMPANY, INC.**, a Minnesota corporation (the "Guarantor") gives this Guaranty (the "Guaranty") and absolutely and unconditionally guarantees to the Lenders, the full and prompt payment of all obligations of the Borrower to the Lenders relating to or arising out of the Loan Agreement, including all Loans and Notes made under the Loan Agreement, and any further amendments, extensions, renewals, replacements, increases and refinancings of any thereof (all such obligations, including every promissory note and any other agreement given by the Borrower evidencing an obligation to the Lenders thereunder, collectively referred to as the "Obligations.")

The liability of the Guarantor under this Guaranty shall include accrued interest and all attorneys' fees, collection costs and enforcement expenses incurred by the Lenders in collecting on and enforcing their rights under the Obligations, and all such costs and expenses incurred by the Administrative Agent and the Lenders in connection with the protection, defense, or enforcement of this Guaranty in any litigation or bankruptcy proceedings. The Administrative Agent and the Lenders may apply any sums received by or available to the Lenders on account of the Obligations from Borrower or any other person (except the Guarantor), or from the Borrower's or other such persons' properties or any collateral security or other source of payment, and such application of proceeds or receipts shall not reduce or impair the liability of the Guarantor under this Guaranty.

The liability of the Guarantor under the Guaranty shall not be limited notwithstanding that the amount of the Obligations may increase from time to time for any reason, and the Obligations may be created and continued in any amount without reducing or impairing the liability of the Guarantor under this Guaranty. Any payment made by the Guarantor under this Guaranty shall be effective to reduce or discharge the Guarantor's liability only if accompanied by a written transmittal document, received by the Administrative Agent and advising it that such payment is made under this Guaranty for such purpose.

The Guarantor further acknowledges and agrees with the Administrative Agent and the Lenders that:

1. No act or event need occur to establish the liability of the Guarantor under this Guaranty, and no act or event, except full payment and discharge of all Obligations, shall exonerate and discharge the liability of the Guarantor under this Guaranty.

2. If the Guarantor becomes insolvent (however defined) then the Administrative Agent may declare immediately due and payable the obligations of the Guarantor under this Guaranty, and the Guarantor shall immediately pay to the Administrative Agent for the benefit of the Lenders the full amount of all Obligations, whether due and payable or unmatured. If the Guarantor voluntarily commences or there is commenced involuntarily against the Guarantor a

case under the United States Bankruptcy Code, the obligations of the Guarantor under this Guaranty shall immediately be due and payable without the necessity of demand or notice.

3. The Administrative Agent and Lenders may in their discretion enter into transactions resulting in the creation of additional Obligations or continuance of Obligations, without notice to or the consent or approval of the Guarantor, regardless of whether or not any existing relationship between the Borrower and the Guarantor has been revoked and regardless of whether this Guaranty has been revoked. If this Guaranty has been revoked in writing pursuant to Paragraph 12 hereof, the revocation shall be valid only as to any Obligations arising after such revocation.

4. The liability of the Guarantor shall not be reduced or impaired by any of the following acts or events (which the Administrative Agent and the Lenders are expressly authorized to do, omit or suffer from time to time, both before and after revocation of this Guaranty, without notice to or the consent or approval of the Guarantor): (i) any acceptance of collateral security, guarantors, accommodation parties or sureties for any or all of the Obligations; (ii) any one or more extensions or renewals of Obligations (whether or not for a period longer than the original period) or any modification of the interest rate, maturity or other contractual terms applicable to all or part of the Obligations; (iii) any waiver or indulgence granted to the Borrower, any delay or lack of diligence in the enforcement of the Obligations, or any failure to institute proceedings, file a claim, give any required notices or otherwise protect any of the Obligations; (iv) any full or partial release of, settlement with, or agreement not to sue Borrower or any other guarantor or other person liable with respect to any of the Obligations; (v) any discharge of any evidence of Obligations or the acceptance of any instrument renewing or refinancing the Obligations; (vi) any failure to obtain collateral security (including rights of setoff) for the Obligations, or to assure its proper or sufficient creation, perfection, or priority, or to protect, insure, or enforce any collateral security; or any modification, substitution, discharge, impairment, or loss of such collateral security; (vii) any foreclosure or enforcement of any collateral security by the Administrative Agent and the Lenders or any other creditor of the Borrower with a security interest in the collateral security; (viii) any assignment or transfer, in accordance with the Loan Agreement, of any Obligations or documentation evidencing the Obligations; (ix) any order of application of any payments or credits upon the Obligations from the Borrower, the Guarantor, or any other person; (x) any election by the Administrative Agent or the Lenders under §1111(b)(2) of the United States Bankruptcy Code; and (xi) any other action, omission, event or circumstance, other than the indefeasible payment of the Obligations in full.

5. The Guarantor waives any and all defenses, claims and discharges of Borrower, or any other obligor, pertaining to the Obligations, except the defense of discharge by payment in full. Without limiting the generality of the preceding sentence, the Guarantor will not assert, plead or enforce against the Administrative Agent or the Lenders any defense of waiver, release, discharge in bankruptcy, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, misrepresentation or fraud, incapacity, minority, usury, illegality or unenforceability which may be available to Borrower or any other party liable for payment of any of the Obligations, or any setoff available against the Lenders to Borrower or any such other person, whether or not on account of a related transaction. The Guarantor shall be liable for any deficiency remaining after foreclosure (or acceptance of deed in lieu of foreclosure) of any mortgage, deed of trust or security interest securing the Obligations, whether or not the liability

of the Borrower or any other obligor for such deficiency is discharged pursuant to statute or judicial decision.

6. In furtherance of this Guaranty and not in limitation of any other right that the Administrative Agent and the Lenders have at law or in equity against the Guarantor by virtue hereof, the Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Lenders as designated thereby in cash the amount of any Obligations when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise. The Guarantor permanently waives and disclaims any right of subrogation, contribution, reimbursement, or indemnity from or against the Borrower, it may now possess or hereafter acquire, whether by operation of law or contract, as a result of any payment or obligation under this Guaranty. In addition, any obligations of the Borrower now or hereafter held by the Guarantor is thereby subordinated in right of payment to the prior payment in full of the Obligations. If any amount shall erroneously be paid to the Guarantor on account of (a) such subrogation, contribution, reimbursement, indemnity or similar right or (b) any such indebtedness of the Borrower, such amount shall be held in trust for the benefit of the Lenders and shall forthwith be paid to the Lenders to be credited against the payment of the Obligations, whether matured or unmatured, in accordance with the terms thereof.

7. The Guarantor assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that the Guarantor assumes and incurs hereunder, and agrees that the Administrative Agent and the Lenders will not have any duty to advise the Guarantor of information known to it regarding such circumstances or risks.

8. The Administrative Agent and the Lenders may in their absolute discretion demand that the Guarantor discharge its obligations under this Guaranty at any time, whether at the time of the scheduled or accelerated maturity of the Obligations or at any earlier or later time. Neither the Administrative Agent nor the Lenders shall be required to first resort for payment of the Obligations to the Borrower or to any other person or their properties, or to first enforce, realize upon, or exhaust any collateral security given to secure the Obligations before enforcing this Guaranty. The Guarantor waives presentment, demand for payment, notice of dishonor or nonpayment, and protest of any instrument evidencing part or all of the Obligations.

9. The Guarantor agrees that its guarantee hereunder constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Administrative Agent and the Lenders to any of the security held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Lenders in favor of the Borrower or any other person or entity.

10. If any payment applied by the Administrative Agent or the Lenders to the Obligations is later set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of the Borrower or any other obligor), the Obligations to which such payment was applied shall for the purposes of this Guaranty be deemed to have continued in existence, notwithstanding such application, and this Guaranty shall be enforceable as to such Obligations as fully as if such application had never been made.

11. No failure or delay of the Administrative Agent or the Lenders in exercising any power or right thereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The liability of the Guarantor under this Guaranty is in addition to and cumulative with all other liabilities of the Guarantor to the Administrative Agent and the Lenders as a guarantor or otherwise, without limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary. No waiver of any provision of this Guaranty or consent to any departure by the Guarantor therefrom shall in any event be effective except pursuant to a written agreement entered into among the Guarantors with respect to which such waiver, amendment or modification relates and the Administrative Agent and the Lenders, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Guarantor in any case shall entitle the Guarantor to any other or further notice or demand in similar or other circumstances.

12. This Guaranty shall be enforceable regardless of the failure of other persons to sign other guaranties of the Obligations. The execution and delivery of any instrument adding an additional guarantor as a party to this Guaranty shall not require the consent of the Guarantor or any other guarantor hereunder. The rights and obligations of the Guarantor and each other guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new guarantor as a party to this Guaranty. This Guaranty shall be effective upon delivery to the Administrative Agent, on behalf of the Lenders, without further act, condition or acceptance by the Administrative Agent or the Lenders, shall be binding upon the Guarantor and the heirs, representatives, successors and assigns of the Guarantor for the benefit of the Administrative Agent, the Lenders and their participants, successors and assigns. Any invalidity or unenforceability of any provision or application shall not affect other lawful provisions and applications of this Guaranty, which is severable. This Guaranty may not be waived, modified, amended, terminated, released or otherwise changed except by a writing signed by the Guarantor, the Administrative Agent and the Lenders. The Guarantor may terminate this Guaranty prospectively by written notice to the Administrative Agent given in accordance with the Loan Agreement, and such termination shall not affect the Guarantor's obligations and liabilities with respect to Obligations arising prior to such revocation.

13. All covenants, agreements, representations and warranties made by the Guarantor herein and in the certificates and other instruments prepared or delivered in connection with or pursuant to this Guaranty shall be considered to have been relied upon by the Administrative Agent and the Lenders and shall survive the incurrence of all Obligations and shall continue in full force and effect as long as the principal of or any accrued interest on any Obligations or any other fee or amount payable under this Guaranty is outstanding and unpaid.

14. All communications and notices hereunder shall be in writing and given as provided in the Loan Agreement. All communications and notices hereunder to the Guarantor will be given to it at the address set forth on the signature page hereof.

15. **THE GUARANTOR AND EACH LENDER EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS**

GUARANTY AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY, AND ACKNOWLEDGES THAT IT AND EACH LENDER HAVE BEEN INDUCED TO ENTER INTO AND ACCEPT THIS GUARANTY AND THE LOAN AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 15.

16. If an Event of Default (as defined in the Loan Agreement) shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Obligations at any time owing by such Lender to or for the credit or the account of the Guarantor against any or all the obligations of the Guarantor now or hereafter existing under this Guaranty, irrespective of whether or not the Administrative Agent or any Lender, including such Lender, shall have made any demand under this Guaranty and although such obligations may be unmatured. The rights of the Lenders under this section are in addition to other rights and remedies (including other rights of setoff) which the Lenders may have.


17. **THIS GUARANTY AND THE LEGAL RELATIONS BETWEEN THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH APPLICABLE FEDERAL LAW AND THE SUBSTANTIVE AND PROCEDURAL INTERNAL LAWS OF THE STATE OF MINNESOTA (WITHOUT REGARD TO THE LAWS OF CONFLICT OF ANY JURISDICTION) AS TO ALL MATTERS INCLUDING WITHOUT LIMITATION, MATTERS OF VALIDITY, INTERPRETATION, CONSTRUCTION, ENFORCEABILITY, PERFORMANCE, EFFECT AND REMEDIES.**

18. **IN THE EVENT THAT ANY CLAIM, DISPUTE OR CONTROVERSY ARISING BETWEEN THE PARTIES IS NOT SUBMITTED TO BINDING ARBITRATION, THIS GUARANTY MAY, AT THE OPTION OF THE LENDERS, BE ENFORCED IN ANY FEDERAL COURT OR MINNESOTA STATE COURT SITTING IN MINNEAPOLIS OR SAINT PAUL, MINNESOTA; AND THE GUARANTOR CONSENTS TO THE JURISDICTION AND VENUE OF ANY SUCH COURT AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUMS IS NOT CONVENIENT. IN THE EVENT THE GUARANTOR COMMENCES ANY ACTION IN ANOTHER JURISDICTION OR VENUE UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS GUARANTY, THE ADMINISTRATIVE AGENT OR ANY LENDER AT ITS OPTION SHALL BE ENTITLED TO HAVE THE CASE TRANSFERRED TO ONE OF THE JURISDICTIONS AND VENUES ABOVE-DESCRIBED, OR IF SUCH TRANSFER CANNOT BE ACCOMPLISHED UNDER APPLICABLE LAW, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.**

THIS GUARANTY IS GIVEN BY THE UNDERSIGNED.

IN WITNESS WHEREOF, this Guaranty has been duly executed on the above date by the Guarantor.

PETTERS COMPANY, INC.

By: 
Title: CFO

Address:

7585 Equitable Drive
Eden Prairie, MN 55344

Telecopy: (952) 975-2295

#27067073