

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Amundson's and Aune's Cannonball, Inc.,

BKY 03-37055

Chapter 11 Case

Debtor.

**DEBTOR'S FIRST MODIFIED
PLAN OF REORGANIZATION**

Amundson's and Aune's Cannonball, Inc. proposes the following plan of reorganization ("Plan") pursuant to the provisions of Chapter 11 of the Bankruptcy Code.

I. DEFINITIONS

For purposes of this Plan, the terms used in the plan and disclosure statement shall have the meanings given in the Bankruptcy Code unless the context otherwise requires. The following terms have the specific meaning provided below, which is specific as to this case:

"Debtor" means Amundson's and Aune's Cannonball, Inc.

"Effective Date" means the later of October 1, 2004, or the first day of the first month following confirmation of the Plan

"Filing Date" means October 15, 2003.

**II. CLASSIFICATION AND TREATMENT
OF CLAIMS AND INTERESTS**

Set forth below are descriptions of the various types of claims against, and interests in, the Debtor, along with the proposed treatment of such claims and interests, and other information relevant to the Plan. In the event of any inconsistency between the Plan and the Debtor's Disclosure Statement, the terms of the Plan control and become effective on the Effective Date of the Plan, provided the Plan is confirmed and the order confirming the Plan is not appealed or otherwise challenged.

2.1 Classified Claims and Interests - Description of Holders and Treatment.

The classification regimen provided for in the Debtor's Plan, including the description of the nature of claims and interests belonging to any given class, and the respective treatment of each, is given below.

Class 1 - Class of Unsecured Creditors.

Class 1, the “Class of Unsecured Creditors,” is that made up of the general unsecured claims against the Debtor (“Class 1 Claims”).

Treatment of Class 1

Members of Class 1 may opt to be paid according to the terms of one of the two alternatives below.

Option 1 – Single Payment.

Class 1 Members choosing Option 1 (“Option 1 Creditors”) shall be paid, on the Effective Date or as soon thereafter as is practicable, the lesser of: (i) fifty percent (50%) of their respective allowed claims, or (ii) \$500.00. In the event that any creditor with a claim exceeding \$1,000 wishes to elect treatment under Option 1, such creditor must affirmatively waive that portion of the claim over and above \$1,000.

Option 2 – Five Year Note.

Class 1 Members choosing Option 2 (“Option 2 Creditors”) shall each be issued a promissory note in an original principal amount equal to twenty percent (20%) of their respective allowed claims. The promissory notes issued to Option 2 Creditors shall not bear interest and shall be paid in semi-annual installments, each in an amount equal to two percent (2%) of the allowed claim. In the event that accelerated payments are made, for any reason, the sum of those accelerated payments shall be credited against payments that would otherwise be due according to the terms of the preceding sentence, in reverse order of maturity.

The Debtor shall make payments to the Option 2 Creditors by mailing checks on each of June 1 and December 1 of each year (the “Option 2 Distribution Dates”) until ten (10) such payments have been made.

Class 2 – White Rock Bank

Class 2 consists solely of the claim of White Rock Bank (“White Rock”) (the “Class 2 Claim”).

Treatment of Class 2 Claim

White Rock shall have an allowed claim in the amount of \$214,419, plus any accrued and unpaid interest that is due and owing under the terms of any applicable instrument, and less any payments of principal made during the pendency of the Bankruptcy Case.

On the Effective Date the aggregate total of all outstanding principal shall be rolled into a single promissory note (the “Restated White Rock Note”) in the full amount of its claim.

The Restated White Rock Note shall bear interest at the rate of eight percent (8%) per annum, and shall be repaid according to the following terms: The Debtor will make one hundred and ninety-two (192) weekly payments, each in the amount of \$1,000, of principal and interest on the Restated White Rock Note according to a sixty-six (66) month amortization schedule¹, and a single balloon payment, equal to all outstanding principal and unpaid interest, due on the first business day of the forty-ninth (49th) month after the Effective Date. The first of the weekly installments owing on the Restated White Rock Note shall be due and payable on the first business day of the first full week following the Effective Date, and each subsequent installment, including the balloon installment, shall be due on first business day of each of the next succeeding one hundred and ninety-one (191) weeks.

The Debtor's obligations under the Restated White Rock Note will be secured by a first priority security interest on each of those vehicles and trailers on the certificate of title for which White Rock currently appears as the first priority lienholder. The Debtor will cooperate in preparing and recording any documents that White Rock shall reasonably request in order to continue or provide evidence of its security interest, provided, however, that all security interests that appeared on the Debtor's certificates of title prior to the commencement of the Bankruptcy Case shall continue to be of the same force and effect as they would have had had the Bankruptcy Case never been filed; no further act by either White Rock or the Debtor shall be necessary in order to perfect the security interests provided for herein.

The Restated White Rock Note, together with the Plan, shall operate as a restatement and amendment of the pre-petition promissory notes executed by the Debtor in favor of White Rock, and neither the confirmation of the Plan nor the execution of the Restated White Rock Note shall effect a replacement or satisfaction of any of the Debtor's pre-petition obligations to White Rock. The terms of the Restated White Rock Note shall be substantially similar to those included in the instruments executed prior to the Filing Date, and, to the extent not inconsistent with the terms of the Restated White Rock Note or the Plan, the terms of all pre-petition agreements shall continue in full force and effect. By way of limitation, the Restated White Rock Note and the Plan shall provide that, notwithstanding any term in any agreement to the contrary, neither the commencement nor the prosecution of the instant Bankruptcy Case shall be deemed an event of default or an event otherwise giving rise to any rights or remedies in favor of White Rock.

Class 3 - Priority Claims Other Than §507(a)(1), (a)(2) and (a)(8) Claims

Class 3 consists of all timely filed and allowed priority claims other than claims asserted under Section 507(a)(1), (a)(2) and/or (a)(8) of the Bankruptcy Code.

Treatment of Class 3

The Debtor shall pay any timely filed and allowed priority claims, in full, on the Effective Date, or as otherwise agreed to between the Debtor and the holder of the allowed priority claim.

¹ The amortization period of the White Rock Replacement Note is an approximation that is used for the sake of convenience. After sixty-six (66) monthly installments of \$4,000, there would actually remain an unpaid balance of approximately \$2,290.

Class 4 – Vermillion State Bank

The Class 4 Claim is that claim held by Vermillion State Bank (“Vermillion”).

Treatment of Class 4 Claim

Vermillion shall have an allowed, fully secured claim in the amount of \$1,084,017.91, together with accrued and unpaid interest and fees and costs allowable under the applicable pre-petition agreements.

The Class 4 Claim shall be paid, according to the terms of a promissory note (the “Restated Vermillion Note”) in the original principal amount of \$843,400.41, plus all accrued and unpaid interest and other fees and costs allowable under the parties’ pre-petition agreements. The Restated Vermillion Note will include the following material terms: Interest shall accrue at the rate of eight and one-half percent (8.5%) annually, and payments according to a twenty-five (25) year amortization schedule, each in the amount of \$6,800.00, shall be due on the first business day of each month during the term of the Restated Vermillion Note. The Restated Vermillion Note shall mature on the third (3rd) anniversary of the Effective Date, at which time all outstanding principal and accrued interest shall be due and payable. Prepayment of the Restated Vermillion Note will give rise to a prepayment fee equal to eight and one-half percent (8.5%) of the outstanding balance at the time of the prepayment.

On the Effective Date, the Debtor will also execute a second promissory note in favor of Vermillion (the “Conditional Vermillion Note”) in the original principal amount of \$240,617.50. If the Debtor does not default in the payment of any amounts owing under the Restated Vermillion Note, the Conditional Vermillion Note will be cancelled on the third (3rd) anniversary of the Effective Date.

The Debtor’s performance under the terms of the Restated Vermillion Note and the Conditional Vermillion Note shall be secured by a continuing first priority security interest in, and lien on, all of the Debtor’s real and personal property, with the exception of those certificated vehicles that have been and shall remain subject to a first priority lien in favor of White Rock Bank. No further action need be taken by either Vermillion or the Debtor in order to perfect any of Vermillion’s interests in the Debtor’s assets, except to the extent that further action may be required by otherwise applicable state or federal law. Notwithstanding the foregoing, the Debtor shall cooperate and comply with all reasonable requests related to the execution and delivery of such further and additional documents as Vermillion may deem necessary or appropriate in order to retain or continue its interest in the Debtor’s assets.

The Restated Vermillion Note, together with the Plan, shall operate as a restatement and amendment of the pre-petition promissory notes executed by the Debtor in favor of Vermillion, and neither the confirmation of the Plan nor the execution of the Restated Vermillion Note shall effect a replacement or satisfaction of any of the Debtor’s pre-petition obligations to Vermillion. The terms of the Restated Vermillion Note shall be substantially similar to those included in the instruments executed prior to the Filing Date, and, to the extent not inconsistent with the terms of

the Restated Vermillion Note or the Plan, the terms of all pre-petition agreements shall continue in full force and effect, and are hereby incorporated by this reference to such extent. By way of limitation, the Restated Vermillion Note and the Plan shall provide that, notwithstanding any term in any agreement to the contrary, neither the commencement nor the prosecution of the instant Bankruptcy Case shall be deemed an event of default or an event otherwise giving rise to any rights or remedies in favor of Vermillion.

Class 5 – Internal Revenue Service

The Class 5 Claim is that held by the Internal Revenue Service (the “IRS”).

Treatment of Class 5 Claim

The IRS shall have an allowed, fully secured claim in the amount of \$384,003.54, together with statutorily imposed interest.

The Class 5 Claim shall be paid, in full, according to the terms of a promissory note (the “IRS Note”) including the following material terms: Interest shall accrue at the rate of five and one-half percent (5.5%) per annum, and payments based on a twenty-five (25) year amortization schedule, each in the amount of \$2,358.00, shall be due on the first business day of each month during the term of the IRS Note. The IRS Note shall mature on the fifth (5th) anniversary of the Effective Date, at which time all outstanding principal and accrued interest shall be due and payable.

The IRS shall retain its lien on the Debtor’s assets, with such lien surviving confirmation of the Plan and retaining the same priority, dignity, and effect as enjoyed prior to the Filing Date. If the Debtor substantially defaults on the payments under the IRS Note, then the entire balance of the IRS Note will immediately become due and payable and the IRS will be authorized to collect all amounts through the administrative collection provisions of the Internal Revenue Code. No further action need be taken by either the IRS or the Debtor in order to perfect the IRS’s interest in the Debtor’s assets, except to the extent such further action may be required by otherwise applicable state or federal law. Notwithstanding the foregoing, the Debtor shall cooperate with all reasonable requests related to the execution and delivery of such further and additional documents as the IRS may deem necessary or appropriate in order to preserve its interest in the Debtor’s assets for so long as any amount under the IRS Note remains outstanding.

Execution and delivery of the IRS Note, and the continuation of the IRS’s lien as provided in the preceding paragraph shall operate as complete and full satisfaction of the IRS’s secured claim against the Debtor. Upon confirmation of the Plan, the IRS shall have no further rights against the Debtor, except to the extent that such rights arise out of the IRS Note and associated lien.

Class 6 – Equity Interests.

Class 6 consists of all existing equity interests of shareholders of the Debtor (“Class 6 Interests”) including, without limitation, all financial and all governance rights associated with any and all stock issued at any time by the Debtor, and which remain outstanding.

Treatment of Class 6 Interests

Confirmation of the Plan shall have no effect on the Class 6 Interests, all of which shall remain in place from and after the date on which an order confirming the Plan is entered.

2.2 Impaired and Unimpaired Classes

All classes of claims are impaired under the Plan, while the Class 6 Interests are unimpaired.

2.3 Unclassified Claims – Description of Holders and Treatment of Claims

As indicated above, certain claims are not classified in the plan. They include certain pre-petition priority claims and administrative expenses. The unclassified claims are set forth below.

2.3.1 Pre-Petition Priority Government Claims

“Pre-Petition Priority Government Claims” consists of all timely filed and allowed claims of governmental units for a pre-petition claim that is accorded a priority status pursuant to Section 507(a)(8) of the Bankruptcy Code. Pursuant to the mandates of Section 1129(a)(1) of the Bankruptcy Code, Pre-Petition Priority Government Claims are not classified in the Debtor’s Plan.

Treatment of Pre-Petition Priority Government Claim(s)

All Pre-Petition Priority Government Claims shall be paid, in full, over a term not exceeding five years. From and after the Effective Date, Pre-Petition Priority Government Claims shall accrue interest on the terms and at the rate provided for in 26 U.S.C. §6621(b), and shall be paid in periodic payments so that such claims are fully amortized and paid in full within six years of the date that the tax was assessed.

2.3.2 Administrative Expenses.

During the pendency of the Chapter 11 reorganization case, the Debtor incurred certain administrative expenses. "Administrative Claim" means any claim for the payment of any administrative expense arising under Section 503(b) of the Bankruptcy Code.

Subject to the specific terms provided for below that may conflict with this general provision, the Debtor shall pay each holder of an allowed or Court-awarded Administrative Claim (except any such holder that agrees to different treatment) the allowed amount of such holder's allowed Administrative Claim, in cash, on the Effective Date of the Plan, or earlier at the election of the Debtor; provided, however, that allowed Administrative Claims representing post-petition

liabilities incurred in the ordinary course of business by the Debtor shall be paid by the Debtor in accordance with the terms and conditions of the particular transactions relating to such liabilities.

(a) Professional Fees.

Professional fees that constitute Administrative Claims are the allowed fees and costs of the professionals that have been employed in the course of the Bankruptcy Case.

Provided the professionals receive Bankruptcy Court approval of their fees and expenses, these claims for professional fees identified above shall be paid in full in cash on the Effective Date, or on such date as the Court may fix, or upon such other terms as may be agreed upon by the professional and the Debtor.

(b) U.S. Trustee Fees and Court Costs.

U.S. Trustee fees and court costs that constitute Administrative Claims are those obligations imposed by operation of 28 U.S.C. §1930 (all such fees and costs shall be referred to as “U.S. Trustee Fees”).

The Debtor shall pay all U.S. Trustee Fees, as and when due, until the Bankruptcy Case is closed.

(c) Other Administrative Expense Claims.

There may be other Administrative Claims, such as the following: (1) filed proofs of claim for administrative expenses; (2) post-petition taxes; (3) unpaid post-petition claims incurred in the ordinary course of the Debtor’s business; and (4) certain claims associated with executory contracts and unexpired leases (the treatment of claims arising out of executory contracts and unexpired leases is more fully described in Section 3.5 below) (all of the foregoing shall be referred to as “Other Administrative Claims”). The Debtor has remained current on all of its post-petition obligations, and does not believe that it is liable on any Other Administrative Claims.

To the extent that the Debtor is liable on any allowed Other Administrative Claims, such claims shall be paid, in full and in cash, on the Effective Date, or as otherwise agreed to between the Debtor and the claimant, subject to the following exception: For claims incurred in the ordinary course of the Debtor’s business after the Filing Date, the Debtor shall pay such claims as they become due, or otherwise in the ordinary course of Debtor’s business.

2.4. Executory Contracts and Unexpired Leases

The Debtor is a party to those executory contracts and unexpired leases as described in Exhibit A, the Schedule of Executory Contracts and Leases. Pursuant to Section 365 of the Bankruptcy Code, the Debtor may either (i) assume the contract, (ii) reject the contract, or (iii) assume and assign the contract. The treatment that any contract or lease receives in the course of a bankruptcy case dictates the nature of the claim that the non-debtor party may have by reason of

the contract or lease. Generally, the rejection of a contract or lease will give rise to a general unsecured claim for damages and pre-petition arrearages, while the assumption of a contract or lease will require that all defaults be cured, and claims related to monetary defaults will be afforded priority status under the Bankruptcy Code.

The treatment of the various executory contracts and unexpired leases to which the Debtor is a party is specified in the Schedule of Executory Contracts and Leases attached to hereto as Exhibit A.

As to any assumed contracts and leases, from and after the Effective Date, the Debtor shall timely perform its obligations according to the terms thereof, as the same may be modified by the terms of the Plan. Notwithstanding the foregoing, with respect to arrearages outstanding as of the Effective Date on the Effective Date, or as otherwise agreed to by the Debtor and the other party to any affected contract.

As to rejected contracts and leases, the parties to such contracts and leases may have claims arising under the terms of the relevant agreement, or arising from the rejection of the contract or lease, or both. In accordance with the provisions of the Bankruptcy Code, any claim arising out of the rejection of an executory contract or unexpired lease shall be treated as an unsecured claim. Unless otherwise ordered by the Court, the deadline for filing a proof of claim for any such claim arising from rejection of a contract or lease shall be fixed at 30 days from the date on which an order confirming the Plan is entered. THE INFORMATION PROVIDED HEREIN CONSTITUTES NOTICE OF THE DEADLINE FOR ASSERTING CLAIMS FOR DAMAGES FROM REJECTION OF ANY EXECUTORY CONTRACT OR UNEXPIRED LEASE.

Contracts and Leases not Specified

If the Debtor is a party to any executory contracts or unexpired leases that are not specifically identified in the Schedule of Executory Contracts and Leases, the Debtor shall REJECT all such executory contracts and unexpired leases, with the following exceptions: (i) except as may be provided for in any prior Court order entered with respect to a motion for assumption or rejection of such executory contract or unexpired lease, and (ii) except as may be provided for in any motion pending before the Bankruptcy Court on the date of the hearing on confirmation of the Plan. Except as may be provided otherwise herein, such rejection shall be effective as of the date on which an order confirming the Plan is entered.

III. PROOFS OF CLAIMS AND OBJECTIONS TO CLAIMS

In general, creditors of the Debtor were permitted to file proofs of claims with the Bankruptcy Court pursuant to Bankruptcy Rules 3001 or 3002. The deadline for timely filing a proof of claim for non-governmental creditors was March 8, 2004.

Certain creditors may hold or assert claims for the payment of administrative expenses of the types described in Section 503(b) of the Bankruptcy Code. Unless otherwise ordered by the Bankruptcy Court, the deadline by which administrative claims must be timely filed is thirty

days after the date on which an order confirming the Plan is entered. Pursuant to the applicable rules of procedure, administrative expense claims shall be asserted by motion filed and served by the deadline set forth herein. **SUBJECT TO SUBSEQUENT ORDER OF THE BANKRUPTCY COURT, THIS INFORMATION CONSTITUTES NOTICE OF THE DEADLINE FOR ASSERTING ADMINISTRATIVE CLAIMS.**

Certain creditors may have claims arising from the Debtor's rejection of executory contracts or unexpired leases, whether rejected under the Plan or pursuant to a motion filed during the pendency of the Bankruptcy Case. Claims for damages arising out of such rejection must be asserted by the filing of a proof of claim within thirty days after the date on which an order confirming the Plan is entered. Parties to executory contracts and unexpired leases that have been or may yet be rejected by the Debtor, by motion or otherwise, at or before confirmation must file proofs of claims for any damages from such rejection in accordance with the Bankruptcy Court's order approving such rejection, or, if the order does not so provide, pursuant to the terms of this paragraph. **THE INFORMATION PROVIDED HEREIN CONSTITUTES NOTICE OF THE DEADLINE FOR ASSERTING CLAIMS FOR DAMAGES FROM REJECTION OF ANY EXECUTORY CONTRACT OR UNEXPIRED LEASE.**

The Debtor and certain other parties in interest have standing to file objections to any claims asserted in the Bankruptcy Case. The deadline for timely filing objections to proofs of claims typically is thirty days after the date on which an order confirming the plan is entered.

Debtor specifically reserves the right to object to any claim, however asserted, subject to the limitations and restrictions set forth in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, or any order entered by the Bankruptcy Court.

IV. CLAIMS OF THE DEBTOR AGAINST OTHERS

The Debtor may hold certain claims against others. These potential claims against others include claims arising from bankruptcy laws and claims against insiders.

4.1. Claims from Bankruptcy Laws – Preferences, etc.

The Debtor reserves the right to pursue any actions based on rights afforded debtors in possession under the Bankruptcy Code, subject to any limitations imposed by the order confirming the Plan. In the event the Debtor does pursue any actions for the purpose of avoiding transfers, any net proceeds realized by reason thereof will be used to fund accelerated payments to the Class of Unsecured Creditors. The proceeds of avoidance actions shall be paid, pro-rata, to Option 2 Creditors on the first Option 2 Distribution Date following the Debtor's receipt of the proceeds to be distributed, and shall reduce the Debtor's ongoing obligations to Option 2 Creditors, on a dollar-for-dollar basis, in reverse order of maturity.

4.2. Claims of or against Insiders

The Debtor reserves the right to pursue any claims against insiders, however and whenever such actions may have accrued. In the event the Debtor pursues any such actions, any net proceeds

realized by reason thereof will be used to fund accelerated payments to the Class of Unsecured Creditors. The proceeds of actions against insiders shall be paid, pro-rata, to Option 2 Creditors on the first Option 2 Distribution Date following the Debtor's receipt of the proceeds to be distributed, and shall reduce the Debtor's ongoing obligations to Option 2 Creditors, on a dollar-for-dollar basis, in reverse order of maturity.

4.3. Setoffs

Subject to the limitations provided in Section 553 of the Bankruptcy Code, the Debtor may, but shall not be required to, setoff against any claim and the payments or other distributions to be made pursuant to the Plan in respect of such claim, claims of any nature whatsoever the Debtor may have against the holder of such claim. Neither the failure to setoff, nor the allowance of any claim hereunder shall constitute a waiver or release by the Debtor of any such claim that the Debtor may have against such holder.

V. POST CONFIRMATION

After confirmation of the Plan, operations and events will continue to be governed by certain provisions of the Plan, as set forth below.

5.1. Means for Execution

5.1.1. Plan Funding.

The Debtor's Plan is based on the following premises and assumptions:

- (a) The Debtor will continue to earn income from its continued operations;
- (b) Payments under the Plan will be funded by post confirmation earnings from the business; and
- (c) Before confirmation of the Plan, Vermillion State Bank will pay the Small Business Administration ("SBA") an amount to be agreed on by those two parties, and, in return, will be assigned the SBA's claim against the Debtor.

5.1.2. Continued Existence

After the Effective Date, the Debtor shall continue to exist in accordance with the applicable law in the jurisdiction in which it is incorporated and pursuant to its articles, bylaws, and other organization documents in effect prior to the Effective Date, except to the extent such articles, bylaws, or other organization documents are amended or modified pursuant to the Plan. The articles, bylaws, and other organizational documents shall be and hereby are amended and restated as necessary to satisfy the provisions of the Plan and the Bankruptcy Code. After the Effective Date, the Debtor may, but shall not be required to, amend or restate its articles and bylaws as permitted by applicable law, provided that such amendment or restatement may not conflict with any provisions of the Plan. On the Effective Date, all actions contemplated by the

Plan shall be authorized and approved in all respects, and all matters provided for in the Plan involving the corporate structure of the Debtor shall be deemed to have occurred and shall be in effect, without any requirement of further action by the equity holders, directors, or officers of the Debtor. As of the date on which an order confirming the Plan is entered, the officers and directors of the Debtor are authorized to issue, execute, and deliver the agreements, documents, and other instruments contemplated by the Plan.

Without limiting the generality of the foregoing, as of the Effective Date, the Debtor's articles shall be amended, to the extent necessary, and as consistent with the requirements of Section 1123(a)(6) of the Bankruptcy Code, to prohibit the issuance of nonvoting securities.

5.1.3. Management and Compensation of Management

On and after the date on which an order confirming the Plan is entered, the operations of the Debtor shall be managed by the board of directors and the officers of the Debtor, which shall consist of Colin J. Aune and Geraldine Aune.

In addition to their continuing roles as Debtor's only directors, the Aunes will continue to be the only officers of the Debtor, with Mr. Aune performing the functions of President and Treasurer of the Debtor, and Mrs. Aune those of Vice-President and Secretary. During the term of the Plan, Mr. Aune will receive a salary of \$36,000 per year, and Mrs. Aune will receive a salary of \$6,000 per year. The Debtor reserves the right to give its officers and directors periodic raises, provided that such raises shall be for the limited purpose of maintaining substantial salary uniformity, on an adjusted dollar basis, during the term of the Plan. In light of the foregoing stated purpose for salary increases, during the term of the Plan, no increase in the salary of an officer or director shall deviate substantially from the proportionate increase in the Consumer Price Index during the period between the date on which the proposed raise is to take effect and the later of: (i) the Effective Date, and (ii) the most recent date on which the officers or directors were given a raise.

In addition to their salaries as officers of the Debtor, Mr. and Mrs. Aune will receive health insurance during the term of the Plan. Mr. Aune also provides services as a contract truck driver, and is currently paid the amount of thirty cents per mile for those services.

5.1.4. Equity Structure of Reorganized Debtor.

From and after the Effective Date, fifty percent (50%) of the shares in the Reorganized Debtor will be owned by Colin J. Aune, and the other fifty percent (50%) will be owned by Geraldine Aune.

5.1.5. Plan Distributions.

The distributions under the Plan shall be made by the Debtor on the dates provided for in the Plan, or on such earlier dates as the Debtor, in its sole discretion, may choose. The Debtor reserves and retains the right to prepay any obligation under the Plan without penalty. Any

payment or distribution required to be made under this Plan on a day other than a business day shall be made on the next succeeding business day, or as soon thereafter as practicable.

The Debtor shall not be required to make any payment or distribution on account of any disputed claim, until the dispute has been resolved and then, only to the extent that the disputed claim becomes an allowed claim, whether by agreement of the parties or by final order of the Bankruptcy Court. As soon as practicable after the disputed claim is resolved by the Debtor or the parties, or allowed by agreement or final order, and subject to the terms of the Plan, the Debtor shall pay and distribute to the holder of such allowed claim the amount provided in the Plan in the manner provided in the Plan, subject to the following condition: The Debtor may choose, in the alternative, to make any additional payment or distribution to the creditor holding a previously disputed allowed claim to bring distributions on account of such claim current with where they would have been had the claim never been subject to objection.

In the event that any property to be distributed under the Plan remains unclaimed or otherwise not deliverable to a creditor entitled thereto as of the later of: (a) one year after the date on which an order confirming the Plan is entered; or (b) one hundred twenty (120) days after any distribution called for under the terms of the Plan, such property shall become vested in and shall be transferred and delivered to the Debtor. Unclaimed property shall include, but not be limited to, checks issued pursuant to the Plan and not negotiated within ninety (90) days of the date such check was issued.

The Debtor shall withhold from any property distributed under this Plan, any amounts which must be withheld for federal, state, or local taxes payable with respect thereto, or payable by the person entitled to such distribution, to the extent required by applicable law. The issuance, transfer or exchange of any of the securities issued under, or the transfer of any other property pursuant to this Plan, or the making or delivery of an instrument of transfer under this Plan, shall be exempt from application of any law imposing a stamp tax, transfer tax, or other similar tax.

Except as expressly stated in the Plan or otherwise allowed by a final order of the Bankruptcy Court, no interest, penalty, or late charge arising after the date the bankruptcy case was filed shall be allowed on any claim, regardless of whether any objection to the claim is filed and sustained. No attorneys' fees shall be paid with respect to any claim except as specified in the Plan, or as allowed by a final order of the Bankruptcy Court. Accordingly, payments and distributions under the Plan shall not include, provide for, or otherwise take into account any such interest, penalty, late charge, or attorneys' fees.

Unless otherwise provided in the Plan, distributions to be made under this Plan to holders of allowed claims shall be made by first class United States mail, postage prepaid to (a) the latest mailing address set forth in the schedules if no proof of claim was filed with respect to such claim; or (b) to the address appearing on a proof of claim as the address to which notices should be sent if a proof of claim was filed with respect to such claim. Distributions shall be deemed made as of time they are deposited in the United States mail.

5.1.6. Implementation of Plan.

The Plan will be implemented upon entry of an order confirming the Plan. As more fully discussed in the section of the Disclosure Statement on confirmation standards, the Plan can be confirmed either by vote of the creditors pursuant to Section 1129(a) of the Bankruptcy Code, or over any negative vote or objection of the creditors pursuant to Section 1129(b) of the Bankruptcy Code.

The Debtor may modify the Plan in the manner provided for under Section 1127 (a) or (b) of the Bankruptcy Code. The Debtor shall give notice of any proposed modification to the United States Trustee and to any other parties designated by the Court. The Debtor also reserves the right to make such modifications at any hearing on confirmation as may be necessary to facilitate confirmation of the Plan pursuant to Section 1129(a) or (b) of the Bankruptcy Code.

The Debtor's obligations under the Plan are contingent upon entry of an order confirming the Plan, and said order not being stayed, appealed, or otherwise challenged before the expiration of the applicable deadline.

5.2. Reservation of Rights, Powers and Jurisdiction

5.2.1. Debtor's Rights and Powers.

Except as otherwise expressly provided in the Plan, the Debtor shall retain, after confirmation of the Plan, and subject to any order entered by the Bankruptcy Court, full right and power to do any of the following:

- (a) Object to the allowance of claims;
- (b) Seek subordination of claims;
- (c) Pursue any claims against third parties, including, but not limited to those based on theories of preference, fraudulent transfer, or any other action arising under Chapter 5 of the Bankruptcy Code;
- (d) Pursue any claims and enforce any rights arising under the Bankruptcy Code in favor of a trustee or debtor-in-possession; and
- (e) Pursue any causes of action that the Debtor may have as of the date on which an order confirming the Plan is entered, and that may not have been enforced or prosecuted by the Debtor prior to such date. Any and all causes of action that the Debtor may have had prior to confirmation of the Plan shall survive confirmation of the Plan, shall vest in the Debtor, and shall not be affected by confirmation or the passing of the Effective Date of the Plan, except as otherwise specifically provided in the Plan.

The Debtor may object to the allowance of claims within the time period provided for in the order confirming the plan, or as otherwise dictated by order of the Court. The Debtor's authority

to object to the allowance of claims shall not be affected in any way by the Debtor's failure to object to allowance of any claim for purposes of voting.

5.2.2. Court Approval

After confirmation of the Plan, the Debtor may, but shall not be required to, seek court approval of any of the following:

- (a) settlements regarding objections to claims;
- (b) settlements regarding claims against third parties;
- (c) settlements regarding allowance of fees and expenses incurred by professionals employed during the pendency of the Bankruptcy Case.

If the Debtor chooses to seek court approval of any such settlements, the Debtor shall not be required to provide notice to creditors as would typically be provided during the chapter 11 case or to file and serve a motion for the approval of the settlement. Instead, the Debtor shall be authorized to file a stipulation setting forth the material terms of the settlement, along with a proposed order providing for the approval of such stipulation.

5.2.3. Committee of Unsecured Creditors.

On the Effective Date of the Plan, the Committee of Unsecured Creditors shall be disbanded.

5.2.4. Jurisdiction.

Until the Plan has been fully consummated, the court shall retain jurisdiction over, and the Debtor shall retain standing and the right to pursue, any cause of action, proceeding, or other request for relief related to the following:

- (a) classification of the claims of creditors;
- (b) determination of the allowed amount of any claims arising before or during the pendency of the Bankruptcy Case;
- (c) subordination of the allowed claims of creditors;
- (d) determination of any counterclaims of the Debtor against any creditor, including any claim for turnover of property of the Debtor and any claim for offset of the value of the property against the claim of the creditor;
- (e) determination of the allowed amount of claims for damages from the rejection of executory contracts or unexpired leases;

- (f) determination of all issues and disputes regarding title to the assets of the estate and the Debtor;
- (g) determination of all causes of actions between the Debtor and any other party, including, but not limited to, any right of the Debtor to recover assets pursuant to the provisions of the Bankruptcy Code;
- (h) correction of any defect, the curing of any omission or the reconciliation of any inconsistency of the Plan or the order confirming the Plan as may be necessary to carry out the purpose and intent of the Plan;
- (i) interpretation and enforcement of the terms of the Plan;
- (j) shortening or extending, for cause, any time fixed for doing any act or thing under the Plan;
- (k) entry of any order, including any injunction, necessary to enforce the title, rights and powers of the Debtor;
- (l) entry of an order concluding and terminating the case; and
- (m) approval of any settlement related to any of the foregoing.

5.3. Effects of Plan Confirmation.

Confirmation of the Plan shall have the effects described below.

5.3.1. Binding Effect.

The Plan shall be binding upon and inure to the benefit of the Debtor, all present and former holders of claims against, or of interests in, the Debtor, and all respective successors and assigns.

5.3.2. Discharge and Injunction

CONFIRMATION OF THIS PLAN CONSTITUTES A COMPLETE DISCHARGE, WAIVER, RELEASE, AND SATISFACTION OF ALL CLAIMS AND INTERESTS OF ALL CREDITORS AND INTEREST HOLDERS AGAINST THE DEBTOR EXCEPT AS PROVIDED IN THIS PLAN. CONFIRMATION OF THE PLAN RESULTS IN A DISCHARGE OF THE DEBTOR PURSUANT TO SECTION 1141(D) OF THE BANKRUPTCY CODE. THE DISCHARGE SHALL RELEASE AND EXTINGUISH ANY PURPORTED LIENS, ENCUMBRANCES, OR SECURITY INTERESTS CLAIMED BY A CLAIMANT OR ANY OTHER ENTITY AGAINST PROPERTY OF THE DEBTOR, PROPERTY DEALT WITH BY THE PLAN, AND PROPERTY OF THE ESTATE, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THE PLAN. THE ORDER CONFIRMING THE PLAN IS A GENERAL ADJUDICATION AND RESOLUTION WITH PREJUDICE, AS OF THE EFFECTIVE DATE, OF ALL PENDING LEGAL PROCEEDINGS

AGAINST THE DEBTOR, AGAINST PROPERTY OF THE DEBTOR AND AGAINST PROPERTY OF THE ESTATE, EXCEPT AS OTHERWISE PROVIDED IN THE PLAN.

THE DISCHARGE AND THE ORDER CONFIRMING THE PLAN OPERATE AS AN INJUNCTION TO THE EXTENT PROVIDED IN SECTION 524 OF THE BANKRUPTCY CODE. ANY CREDITOR OR EQUITY HOLDER ENTITLED TO RECEIVE ANY DISTRIBUTION PURSUANT TO THIS PLAN SHALL BE PRESUMED CONCLUSIVELY TO HAVE RELEASED THE DEBTOR FROM ANY CAUSE OF ACTION BASED ON THE SAME SUBJECT MATTER AS THE CLAIM OR INTEREST WITH RESPECT TO WHICH THE DISTRIBUTION IS MADE. THIS RELEASE SHALL BE ENFORCEABLE AS A MATTER OF CONTRACT AGAINST ANY CREDITOR OR EQUITY HOLDER THAT ACQUIRES ANY RIGHT TO DISTRIBUTION PURSUANT TO THIS PLAN.

UNLESS A TAXING AUTHORITY HAS ASSERTED A CLAIM AGAINST THE DEBTOR BEFORE THE DEADLINE FOR FILING CLAIMS, CONFIRMATION OF THE PLAN SHALL OPERATE AS A DISCHARGE OF ANY CLAIM OR LIEN OF ANY TAXING AUTHORITY AGAINST THE DEBTOR, AGAINST THE ESTATE, AGAINST PROPERTY OF THE DEBTOR, AND AGAINST PROPERTY OF THE ESTATE, FOR ANY TAXES, PENALTIES, OR INTEREST (I) ARISING FOR ANY TAX YEAR FOR A PERIOD BEFORE THE DATE THE BANKRUPTCY PETITION WAS FILED; (II) ARISING OUT OF THE FAILURE OF THE DEBTOR TO FILE ANY TAX RETURN; OR (III) ARISING OUT OF AN AUDIT OF ANY TAX RETURN WITH RESPECT TO A PERIOD BEFORE THE DATE THE BANKRUPTCY PETITION WAS FILED.

5.3.3. Re-Vesting

Subject to the terms of the Plan, on the date that the order confirming the Plan is entered, the Debtor shall be restored to full ownership of, and dominion over, all property owned by the Debtor, all property of the estate, and all property dealt with by the Plan. The property so vested in the Debtor shall be free and clear of all claims, liens, encumbrances, charges, and other interests of holders of claims or interests, except as otherwise provided in the Plan.

On and after the date on which the order confirming the Plan is entered, the Debtor may freely operate its business and may freely use, acquire, and dispose of property of the estate and property of the Debtor, except as otherwise provided in the Plan. Except as may otherwise be expressly provided by the Plan, the Debtor's operation of its business and use of property shall be free of any restrictions imposed by operation of the Bankruptcy Code, the Bankruptcy Rules or any prior Bankruptcy Court order entered during the bankruptcy case.

[Signature page to follow]

AMUNDSON'S AND AUNE'S CANNONBALL, INC.

Dated: 8/26/04

By: Colin J. Aune
Colin J. Aune
Its President

HENSON & EFRON

Dated: 8/26/04

By: William J. Kampf (#53387)
Joel D. Nessel (#03047525)
220 South Sixth Street, Suite 1800
Minneapolis, MN 55402
Telephone: 612-339-2500

Attorneys for Debtor

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EXHIBIT A

SCHEDULE OF EXECUTORY CONTRACTS AND LEASES

The Debtor is a party to the executory contracts and unexpired leases listed below. The Debtor intends to treat each contract and lease as stated below unless, prior to the hearing on confirmation of the Plan, the Debtor files and serves a motion specifying a different treatment

I. Contracts and Leases to be Assumed

A. Real Estate Lease. In March 2003, the Debtor and Ireland Sandrock Systems, Inc. (“Ireland”) entered into a lease agreement under which the Debtor, as landlord, leased a portion of its real property to Ireland. The lease is for an initial term of three (3) years, and Ireland has options to extend the term for up to fifteen (15) additional years. The Debtor was in compliance with all terms of the lease as of the Filing Date, and has remained in compliance during the Bankruptcy Case.

The Debtor will assume its lease with Ireland, with the assumption being effective as of the Effective Date. The Debtor’s assumption of the lease will not give rise to any cure obligations or any other claims, except as may arise under the ordinary terms of the lease. From and after the Effective Date, the lease will continue to be effective according to its terms, but, notwithstanding any term to the contrary, neither the filing of the Bankruptcy Case nor anything related to the administration of the Bankruptcy Case will be deemed an event of default or an event otherwise giving rise to any rights in favor of the Ireland.

B. Petroleum Retailer Agreement. The Debtor and Hartland Fuel Products, L.L.C. are parties to that certain Marathon Petroleum Retailer Agreement dated June 30, 2002, under the terms of which the Debtor agrees to purchase Marathon branded products and is given the right to use Marathon trademarks, brand name, and color schemes. The agreement with Hartland is for a nine year term. The Debtor was in compliance with the terms of its agreement with Hartland as of the Filing Date, and has remained in compliance during the Bankruptcy Case.

The Debtor will assume its agreement with Hartland, with the assumption being effective as of the Effective Date. The Debtor’s assumption of the agreement will not give rise to any cure obligations or any other claims, except as may arise under the ordinary terms of the agreement. From and after the Effective Date, the agreement will continue to be effective according to its terms, but, notwithstanding any term to the contrary, neither the filing of the Bankruptcy Case nor anything related to the administration of the Bankruptcy Case will be deemed an event of default or an event otherwise giving rise to any rights in favor of the Hartland.

C. Insurance Contracts. The Debtor is party to several insurance contracts, including those related to worker’s compensation, commercial liability, automotive, and hazard insurance (all of the Debtor’s insurance contracts will be referred to as the “Insurance Contracts”). The Debtor was in compliance with all terms of the Insurance Contracts as of the Filing Date, and has remained in compliance during the Bankruptcy Case.

The Debtor will assume the Insurance Contracts, with the assumption being effective as of the Effective Date. The Debtor's assumption of the Insurance Contracts will not give rise to any cure obligations or any other claims, except as may arise under the ordinary terms of the lease. From and after the Effective Date, the Insurance Contracts will continue to be effective according to their terms, but, notwithstanding any term to the contrary, neither the filing of the Bankruptcy Case nor anything related to the administration of the Bankruptcy Case will be deemed an event of default or an event otherwise giving rise to any rights in favor of the other party to any relevant contract.

D. Service and Support Agreements. The Debtor is party to two (2) agreements under which it receives maintenance and other services related to its computers and its photocopier (together, the "Service Agreements"). Except for payment defaults arising pre-petition, the Debtor was in compliance with all terms of the Service Agreements as of the Filing Date, and has remained in compliance during the Bankruptcy Case.

The Debtor will assume the Service Agreements, with the assumption being effective as of the Effective Date. The Debtor's assumption of the Service Agreements will give rise to cure obligations in the approximate aggregate amount of \$2,700, with approximately \$1,000 owing to Stringer Co., and approximately \$1,700 owing to Trender. From and after the Effective Date, the Service Agreements will continue to be effective according to their terms, but, notwithstanding any term to the contrary, neither the filing of the Bankruptcy Case nor anything related to the administration of the Bankruptcy Case will be deemed an event of default or an event otherwise giving rise to any rights in favor of the other party to any relevant contract.