

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In Re:

Case No. 03-37759

Shark Industries, Ltd.,

Debtor.

DEBTOR'S FINAL AMENDED PLAN OF REORGANIZATION

Debtor, Shark Industries, Ltd., hereby proposes the following Plan of Reorganization pursuant to the provisions of Chapter 11 of the Bankruptcy Code.

ARTICLE I

DEFINITIONS

A. DEFINED TERMS.

The following terms shall have the respective meanings hereinafter set forth. Any terms contained in this Plan that are not specifically defined shall have the meaning provided for in the Bankruptcy Code, unless the context otherwise requires.

1. "Administrative Expenses" means Claims allowed under § 503(b) and § 507(a)(1) of the Bankruptcy Code and fees and charges assessed against a Debtor's estate under 29 U.S.C. § 1930.

2. "Allowed Claim," "Allowed Secured Claim," "Allowed Priority Claim" or "Allowed Unsecured Claim" mean, respectively, a Claim, Secured Claim, Priority Claim, or Unsecured Claim against a Debtor to the extent that:

- (a) a proof of such Claim was
 - (i) timely filed;
 - (ii) deemed filed pursuant to § 1111(a) of the Bankruptcy Code; or
 - (iii) late filed with leave of the Bankruptcy Court after notice and opportunity for hearing given to counsel for Debtor and the Creditors'

Committee appointed in this Chapter 11 case; and

(b) (i) which is not a Disputed Claim; or

(ii) which is allowed (and only to the extent allowed) by a Final Order.

3. "Bankruptcy Code" means Title 11 of the United States Code, as amended.

4. "Bankruptcy Court" means the United States Bankruptcy Court for the District of Minnesota or, in the event such court ceases to exercise jurisdiction over this Chapter 11 case, the Court having jurisdiction over this Chapter 11 case.

5. "Business Day" means any day other than a Saturday, Sunday, or a day on which banking institutions in the State of Minnesota are not open to conduct business.

6. "Cash" means Cash and Cash equivalents including, but not limited to, bank deposits, checks, and other similar items.

7. "Claim" means a claim as such term is defined in § 101(4) of the Bankruptcy Code.

8. "Claimant" means the holder of a Claim.

9. "Claims Bar Date" means such date as established by the Bankruptcy Court or applicable bankruptcy rule as the last day to file a Claim.

10. "Confirmation Date" means the date on which the Confirmation Order is entered.

11. "Confirmation Order" means the Order of the Bankruptcy Court confirming the Plan pursuant to § 1129 of the Bankruptcy Code.

12. "Debtor" means Shark Industries, Ltd.

13. "Disclosure Statement" means the Disclosure Statement that is approved by the Bankruptcy Court after notice and hearing and which accompanies this Plan.

14. "Disputed Claim" means a Claim asserted against a Debtor (i) to which an objection has been filed, or (ii) which has been scheduled as disputed, contingent or unliquidated and which has been resolved or allowed by Final Order, estimation or pursuant to this Plan.

15. "Distributions" mean, as the context may require, the Cash, notes or property required by the Plan to be distributed to the holders of Allowed Claims, or any Distribution thereof to such parties.

16. "Effective Date" means the first day of the first calendar month following the date on which a Final Order confirming this Plan is entered.

17. "Filing Date" means November 14, 2003.

18. "Final Order" means an Order of the Bankruptcy Court as to which (a) any appeal that has been taken has been finally determined or dismissed; (b) the time for appeal has expired and no notice of appeal has been filed.

19. "Interest" means the shareholder interest of any shareholder in Debtor.

20. "Plan" means this Debtors' Plan of Reorganization, as the same may be amended or modified.

21. "Pre-Petition Claims" means all Claims arising or accruing prior to the Filing Date, including Claims arising from the rejection, after the Filing Date, of executory contracts and expired leases.

22. "Priority Claims" means the Claims specified in § 507(a)(2) through (8), inclusive, of the Bankruptcy Code.

23. "Pro Rata" means proportionately so that the ratio of the amount of Distributions on account of a particular Allowed Claim or Interest to the amount of that Allowed Claim or is the same as the ratio of the amount of Distributions on account of all Allowed Claims or Interests of the class in which the particular Allowed Claim or Interest is included to the amount of all Allowed Claims or Interests of that class.

24. "Reorganized Debtor" means the Debtor following the Confirmation Date.

25. "Pro Rata Share" means, as to a Claimant, the amount determined by multiplying the total amount of the Debtor's payment to a particular Class by a fraction, the numerator of which is the amount of the Claimant's Allowed Claim and the denominator of which is the total amount of Allowed Claims in that Class.

26. "Schedules" means the schedules of assets and liabilities of Debtor on file with the Clerk of Bankruptcy Court for the District of Minnesota, as from time to time amended in accordance with Bankruptcy Rule 1009.

27. "Secured Claim" means any Claim in respect of which a valid lien, security interest or encumbrance is held in any assets of Debtor.

28. "Unsecured Claims" mean all unsecured non-priority Allowed Claims against any Debtor, including any deficiency claim of the holder of a Secured Claim and any Claim arising from the rejection of any executory contract or unexpired lease of the Debtors. Unsecured Claims do not include any deficiency Claim of the holder of a Secured Claim if said Claim is non-recourse and the security is sold or tendered to the holder of the Secured Claim.

B. UNDEFINED TERMS.

A term used and not defined herein which is defined in the Bankruptcy Code shall have the term defined therein, unless the context clearly requires otherwise. A term not defined herein nor defined in the Bankruptcy Code shall have its normal meaning, unless the context clearly requires otherwise.

ARTICLE II

TREATMENT OF CERTAIN PRIORITY CLAIMS

Allowed Claims that are not classified shall be treated as follows:

- a. Allowed Administrative Expense Claims, except as otherwise classified herein, and including fees of professionals, shall be paid in full in cash on the Effective Date or as soon as practicable thereafter, or on such other date as the Court may fix, or in the ordinary course of business as the claims mature, or upon such other terms as may be agreed upon by each claimant and Debtor. Debtor estimates that total claims for professional fees will be approximately \$20,000.00.
- b. Unpaid post-petition Administrative Expense Claims incurred in the ordinary course of Debtor's business will be paid as such claims become due, as agreed between each Claimant and Debtor, or otherwise in the ordinary course of Debtor's business. Debtor believes no unpaid claims in this category are outstanding or exist.
- c. Executory contracts or unexpired leases that are assumed by Debtor during the Chapter 11 case will be paid according to the terms of the contracts or leases, or according to the terms of any order of the Court approving assumption of such contract or lease or as otherwise provided for in Debtor's Plan. The Debtor has certain executory contracts which it intends to assume; however, assumption will not give rise to any claims in this category.
- d. Holders of allowed claims specified in Bankruptcy Code § 507(a)(8) (certain taxes), will be paid in accordance with 11 U.S.C. § 1129(a)(9)(C), at an interest rate equal to 5% per annum.

- e. Fees payable by Debtor under 28 U.S.C § 1930 will be paid in full in cash on the Effective Date, the Debtor will continue to report its monthly disbursements and make payments to the U.S. Trustee until no longer legally obligated to do so.

ARTICLE III

TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

1. Class A Claims - Priority Wage Claims.

This class consists of all Allowed Claims of Debtor's former employees entitled to priority pursuant to Bankruptcy Code § 507(a)(3). These claims are approximately \$20,000.00.

Treatment.

Allowed Claims, if any, in this class will be paid in full in Cash upon the Effective Date of the Plan.

2. Class B Claim - Mortgage Claim of Wells Fargo Business Credit, Inc.

This class consists of the claims of Wells Fargo Business Credit, Inc. ("Wells"), secured by a first mortgage on real estate owned by the Debtor. The real estate is located at 6700 Bleck Drive, Rockford, MN 55373. The amount of the claim as of February 29, 2004 is \$987,679.31, consisting of a principal balance of \$955,559.00, accrued and unpaid interest of \$25,946.19 and unpaid attorneys' fees of \$6,174.12.

Treatment.

The Debtor will cause the Class B Claim to be paid, in full, through monthly payments. On the Effective Date, the unpaid principal, including all arrearages, accrued interest and attorneys' fees, will be consolidated. The Debtor will execute a real estate construction and term note and a first amendment to construction and term loan agreement. The new term note will mature and become payable in full 2 years from execution of the term note and amendment to term note agreement. Interest will accrue during the first year of the term note at prime plus 2%. In months 13 through 15 interest will accrue at prime plus 2.5%. In months 16 through 18 interest will accrue at prime plus 3%. For the last 3 months, prior to the maturing of the term note, interest will accrue at prime plus 3.5%. The Debtor's payment, under the note, for the first 12 months will be \$6,000.00 per month. Thereafter the Debtor will make 3 payments of \$6,500.00 per month. Thereafter, for a period of 3 months, the Debtor will pay \$7,000.00 per month. Finally, for a period of 3 months the Debtor will pay \$7,500.00 per month; and thereafter, the balance will be due in full.

3. Class C Claim - Line of Credit Claim of Wells Fargo Business, Inc.

This Claim consists of the claim of Wells Fargo Business Credit, Inc. secured by a first security interest on lien on cash, cash equivalents, inventory, equipment, accounts receivable, general intangibles and other assets of the Debtor (excepting the real estate owned by the Debtor). The claim has a balance of approximately \$685,000.00.

Treatment.

The claim will be paid, in full, on the Effective Date, or as soon thereafter as the parties agree, by the Debtor's obtaining a new credit line from a new lender. Said credit line will permit the Debtor with adequate funds to pay the Class C Claim in full. The Class C Claimant will retain its lien and security interest subsequent to confirmation of the Plan and until the Class C Claim is paid in full.

4. Class D - Secured Claim of City of Rockford.

This Claim consists of the alleged Secured Claim of the City of Rockford ("Rockford") secured by a security interest in the Debtor's inventory at Rockford, Minnesota.

Treatment.

The claim will be treated as an Unsecured Claim in Class I. The City of Rockford did not perfect its security interest and is therefore an unsecured creditor of the Debtor.

5. Class E - Secured Claim of Small Business Administration.

This Claim consists of the Secured Claim of the Small Business Administration, Assignee of Minnesota Business Finance Corp. ("SBA") secured by a mortgage on the Debtor's real property in Rockford, Minnesota. The Claim is in the amount of \$856,157.00, not including accrued interest.

Treatment.

The allowed Secured Claim will be in the amount of \$856,157.00. The Debtor will pay the allowed Secured Claim of the Class E Claimant by making monthly payments in the amount of \$4,371.82. Interest will accrue on the unpaid balance at 2.1% per annum on an amortization schedule of 20 years. The Class E Claimant will retain its lien and mortgage on the real property owned by the Debtor.

6. Class F - Tax Lien Claim of the Internal Revenue Service:

This Class consists of the secured claim asserted by the Internal Revenue Service by virtue of a tax lien filed with the Minnesota Secretary of State. The Debtor alleges that the Claim is in fact a unsecured claim as a result of the operation of 11 U.S.C. §506. The Claim will be paid in accordance with 11 U.S.C. §1129(a)(9)(C). The Debtor will make monthly payments of \$2,715.31 until the Claim is paid in full on or before April 15, 2010.

7. Class G - Secured Claim of Wright County Economic Development Partnership.

This Claim consists of the Secured Claim of Economic Development Partnership of Wright County, the City of Rockford and the Initiative Foundation ("Wright County") secured by a third mortgage on the Debtor's real property in Rockford, Minnesota and a second priority lien and security interest in the inventory, accounts receivable, equipment and tangibles of the Debtor. The amount of the Claim is approximately \$346,719.00.

Treatment.

The Claim will be treated as a Secured Claim. The Class G Claimant will retain its liens, mortgages and security interests. On the Effective Date, the Debtor will execute a new promissory note at an interest rate of 3% per annum. The first 9 payments to be made by the Debtor to the Class G Claimant will be monthly payments in the amount of \$1,982.69; the second 9 payments the Debtor will pay the Class G Claimant in the amount of \$2,974.03 per month; thereafter the Debtor will make monthly payments in the amount of \$3,965.37 until the Claim is paid in full. In addition, the Debtor will pay, on the Effective Date the sum of \$5,000.00 to the Class G Claimant, which sum will be accepted by the Class G Claimant to satisfy its claim for legal costs. All other terms and conditions of the parties loan agreements shall remain unmodified. The Claimant will retain its liens and security interest until its Claim is paid in full.

8. Class H - Secured Claim of Mid-America Bank.

The claim consists of the Allowed Claim of Mid-America Bank, successor to Deebart, Inc. The Claim is the amount of \$146,245.00.

Treatment.

The Class G Claimant will be allowed a secured claim in the amount of \$85,000.00. The balance of the Claim will be treated as an unsecured claim in Class I. The secured portion of the Claim will be paid in equal monthly payments with interest accruing at the rate of 4% per annum. Payments will be made over the 60 months until the Claim is paid in full. The monthly payment to be made to the Class G

claimant will be the amount of \$1,565.00 per month.

9. Class I- Unsecured Creditors.

This Class consists of the claims of Debtor's Unsecured Creditors. The Debtor believes that the approximate amount of such unsecured claims is between \$1,363,781.00 approximately, such unsecured claim is approximately (including disputed claims).

Treatment.

Unsecured creditors, holding Allowed Unsecured Claims, will be paid 25% of the amount of each Allowed Claim. Said payment will be in full, complete and total settlement of said claim(s). The Debtor will make payments as follows: (1) 3.0% will be paid on Allowed Claims on or before April 30, 2005; (2) 3.0% will be paid on Allowed Claims on or before February 28, 2006; (3) 6% will be paid on Allowed Claims on or before February 28, 2007; (4) 6% will be paid on Allowed Claims on or before February 28, 2008; (5) 7% will be paid on Allowed Claims on or before February 28, 2009. In addition, the Committee of Unsecured Creditors will have the authority and right to pursue avoidance causes of action for the benefit of the holders of Allowed Unsecured Claims. Any net proceeds of such actions will be distributed on a pro rata basis to the holders of Claims in Class I.

10. Class J - Stockholder Interests:

This Class consists of the Shareholder Interests of Shareholders of Debtor as of the Effective Date.

Treatment.

The Shareholders will retain their interests in the Debtor.

ARTICLE IV

CLASSES OF CLAIMS AND INTERESTS IMPAIRED UNDER PLAN

Class A and Class J are unimpaired under this Plan. All other classes are impaired under the Plan and are entitled to vote on the Plan.

ARTICLE V

GENERAL PROVISIONS

- a. Payments under this Plan will be made by check, mailed with first class postage prepaid, to the claimant at the address listed on its Proof of Claim or, if no proof of claim has been filed by the date of the hearing on confirmation, to the address listed on the Schedules.
- b. Payments and other distributions under this Plan will be made as soon as practicable on or following the Effective Date, except as otherwise specified in this Plan. Payments to Class I Creditors will be paid on the Effective Date.
- c. In the event a payment is returned to Debtor unclaimed, with no indication of claimant's forwarding address, Debtor will hold such payment for a period of six months from the date of return. If not claimed by the claimant by the end of that period, the payment shall become the property of Debtor.
- d. In the event this Plan is not confirmed under Bankruptcy Code § 1129(a), Debtor requests that this Plan be confirmed under Bankruptcy Code § 1129(b).
- e. Debtor reserves and retains the right after confirmation to pursue any claims against third parties, including preference and fraudulent transfers.
- f. Debtor shall have the right to prepay any obligation under this Plan without penalty.
- g. Diana Mini, Dean Daniel and a new investor will constitute the Debtor's Board of Directors. The Debtor will receive a capital investment. The funds received as a capital investment will be used to fund some payments required under this Plan and will provide the Debtor with working capital.

ARTICLE VI

MEANS FOR EXECUTION OF PLAN

The Debtor will pay Administrative Expenses in Cash upon Confirmation of the Plan. The Debtor will pay Priority Wage Claims in Cash upon Confirmation of the Plan of Reorganization. The Debtor will pay some Priority Tax Claims over a period of six years from assessment in accordance with 11 U.S.C. §1129. The Debtor will cause payments to be made to other Classes as described above. The management of the Debtor will be provided by Diana Mini and Dean Daniel. The Debtor will receive a cash capital investment. The funds received will be used to fund as described herein.

ARTICLE VII
CONTESTED CLAIMS

No payment shall be made under the Plan with respect to a Contested Claim, unless estimated by the Court for such purposes, until that Claim becomes an Allowed Claim, by agreement of the parties to any Claim disputed or by Final order of the Court. As soon as practicable after the Allowed Claim is established by agreement or final order, Debtor shall pay to the holder of such Allowed Claim the amount provided in the Plan.

ARTICLE VIII
MODIFICATION OF THIS PLAN

Debtor may amend or modify this Plan in the manner provided for under Bankruptcy Code § 1127(a) or (b). Debtor shall give notice of any proposed modification to Counsel for the Committee and to the United States Trustee and to any other parties designated by the Court. Debtor also reserves the right to make such modifications at any hearings on confirmation as are necessary to permit this Plan to be confirmed under Bankruptcy Code § 1129(b).

ARTICLE IX
CONTINUING JURISDICTION

The Bankruptcy Court shall retain jurisdiction until this Plan has been fully consummated for the following purposes: classification of the claims of creditors and allowance of the claims of creditors; allowance of claims for damages from the rejection of executory contracts or unexpired leases; determination of all questions and disputes regarding title to the assets of the estate and determination of all causes of actions between Debtor and any other party, including but not limited to any right of Debtor to recover assets pursuant to the provisions of the Bankruptcy Code; any pending litigation, correction of any defect, the curing of any omission or the reconciliation of any inconsistency in this Plan or the order of confirmation as may be necessary to carry out the purpose and intent of this Plan; interpretation and enforcement of the terms of this Plan; shortening or extending, for cause, of any time fixed for doing any act or thing under this Plan; entry of any Order, including any injunction, necessary to enforce the title, rights, and powers of Debtor; and entry of an Order concluding and terminating this case. The Court may exercise its jurisdiction after notice and hearing or ex parte, as the Court determines to be appropriate.

As recited above, all liens, secured claims, encumbrances and mortgages held by any creditor of the Debtor will be released and discharged on the Confirmation Date. The Debtor will retain Ownership Interest in its property, free of all security interests, claims and liens.

