UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Chapter 11 Bankruptcy

WSI Manufacturing, Inc.,

Debtor.

Bky 03-46641

DEBTOR'S DISCLOSURE STATEMENT
Dated: July 30, 2004

I. INTRODUCTION.

WSI Manufacturing, Inc. ("Debtor") filed a petition for reorganization under Chapter 11 of the United States Bankruptcy Code on September 19, 2003. The Plan sets forth the terms of Debtor's proposal for reorganization of his business under the Bankruptcy Code. This Disclosure Statement ("Disclosure Statement") is intended to explain the Plan and provide you with adequate information to allow you to make an informed judgment regarding the Plan. A copy of the Plan is provided herewith. Capitalized terms used in this Disclosure Statement shall have the meanings given to them in the Plan or by the Bankruptcy Code.

A. Summary of the Plan.

The Debtor's plan proposes to pay the Debtor's secured debt in full through over the course of five years. The secured creditor will retain its lien in the Debtor's assets to secure this obligation. Under the Plan, general unsecured creditors will receive payments equal to 25% of the allowed unsecured claims, in quarterly payments spread over five years. The Patent Plaintiffs, as such term is defined in the Plan have agreed to an allowed claim of $100,000. The Patent Plaintiffs will receive payments equal to 25% of this allowed claim, in quarterly payments spread over five years. In addition, the Patent Plaintiffs will receive future royalties from the sale of allegedly infringing products. Certain of these royalties will be credited against the 25% payments due to the Patent Plaintiffs.

B. Voting Procedure.

A ballot to be used for voting to accept or reject the Plan is enclosed with all copies of this Disclosure Statement mailed to all classes entitled to vote. To simplify the voting procedure, ballots have been sent to the known holders of all claims and interests, including disputed claims to which objections have been or may be filed. However, only holders of allowed claims or allowed interests and holders of disputed claims or disputed interests whose claims or interests have been temporarily allowed for voting purposes are entitled to vote on the Plan. Therefore, although the holders of disputed claims and disputed interests will receive ballots, these votes will not be counted unless such claims or interests are allowed temporarily for voting purposes by the Bankruptcy Court. Pursuant to Section 1126 of the Bankruptcy Code, holders of claims and interests whose claims or interests are contained within an impaired class as set forth in Article VI of this Disclosure Statement are entitled to vote with respect to the Plan.

Please fill out, sign and mail the enclosed ballot to the following address:

United States Bankruptcy Court
301 U.S. Courthouse
300 South Fourth Street
Minneapolis, MN 55415

The Bankruptcy Court has set a deadline for filing ballots accepting or rejecting the Plan. That deadline is set forth in the enclosed order and notice. Please mail your original ballot to the Court in time for it to be *received* by the Court no later than that date.

DEBTOR URGES CREDITORS TO VOTE IN FAVOR OF THE PLAN. DEBTOR BELIEVES THAT THE PLAN OFFERS THE BEST POSSIBLE RECOVERY FOR UNSECURED CREDITORS. QUESTIONS CONCERNING THE PLAN SHOULD BE ADDRESSED IN WRITING OR BY TELEPHONE TO:

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C. Brief Explanation of Chapter 11.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Upon the filing of a petition for reorganization under Chapter 11, Section 362 of the Bankruptcy Code generally provides for an automatic stay of all attempts to collect claims or enforce liens that arose prior to the commencement of the bankruptcy case or other actions that otherwise interfere with the debtor's property or business.

The principal objective of a Chapter 11 reorganization is the confirmation of a plan. The plan sets forth the means for satisfying the claims of creditors and interests of shareholders of the debtor. The debtor generally has the exclusive right to propose a plan during the 120 days following the filing of the bankruptcy petition. The plan and a disclosure statement that contains information necessary to allow creditors and shareholders to evaluate the plan are sent to creditors and shareholders after the filing of the bankruptcy petition, who then vote to accept or reject the plan.

The Bankruptcy Code requires that a plan provide for separate classes of claims of creditors and interests of shareholders. The plan sets forth the treatment of each class, including the property to be distributed to the creditors or shareholders in the class. Similar claims generally are classified together, as are similar interests. A secured claim of a creditor of the debtor will generally be placed in a class by itself. Unsecured claims generally are classified according to the priority of payment of those claims under the Bankruptcy Code.

A class of claims or interests is entitled to vote to accept or reject a plan if that class is "impaired" by the plan. A class of claims or interests is impaired unless the plan cures any defaults that may exist with respect to the claims or interests and (1) leaves unaltered the legal, equitable, and contractual rights to which the claim or interest entitles the holder of the claim or interest, or (2) provides for a cash payment on the effective date of the plan of, (a) with respect to a claim, the full amount of the claim, plus interest or, (b) with respect to an interest, the greater of any fixed liquidation preference or fixed redemption price.

A plan may be confirmed under Section 1129(a) of the Bankruptcy Code if each class of claims or interests is not impaired by the plan or has voted to accept the plan. A class of claims has accepted a plan if creditors that hold at least two-thirds in amount and more than one-half in number of the allowed voting claims in the class have voted to accept the plan. A class of interests has accepted a plan if the holders of at least two-thirds in amount of allowed voting interests in the class have voted to accept the plan. Claims or interests that are not voted to accept or reject a plan are not counted.

If an impaired class votes to reject the plan, the proponent of the plan can attempt to "cram down" the plan by confirming it under Bankruptcy Code Section 1129(b). A plan proponent may cram down a plan upon a rejecting class only if another impaired class has voted to accept the plan, and the plan does not discriminate unfairly and is fair and equitable with respect to each impaired class that has not voted to accept the plan.

The purpose of this Disclosure Statement is to provide the holders of claims and interests with adequate information about Debtor and the Plan so that they can make an informed judgment about the Plan's merits. Debtor's Disclosure Statement is furnished pursuant to Section 1125 of the Bankruptcy Code. The information set forth in this Disclosure Statement is supplied by Debtor and not by any other party.

DEBTOR AUTHORIZES NO REPRESENTATIONS, PARTICULARLY AS TO FUTURE BUSINESS OPERATIONS OR THE VALUE OF DEBTOR'S PROPERTY, OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE THAT ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON IN ARRIVING AT A DECISION TO VOTE FOR OR AGAINST THE PLAN.

THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY DEBTOR BUT HAS NOT BEEN INDEPENDENTLY AUDITED. ALL STATEMENTS CONCERNING FINANCIAL DATA ARE MADE IN GOOD FAITH AND ARE INTENDED TO BE AS COMPLETE AND AS ACCURATE AS POSSIBLE WITHIN THESE LIMITATIONS. NEITHER BANKRUPTCY COUNSEL FOR DEBTOR NOR ITS ACCOUNTANTS HAVE VERIFIED ANY OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED ON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

II. DESCRIPTION OF DEBTOR'S BUSINESS AND OPERATIONS.

A. Nature and History of Debtor's Business; Events Leading to Chapter 11.

Debtor is a Minnesota corporation, founded in 1990 by Joel Wiens, with its principal place of business located in Eagan, Minnesota. Debtor develops, manufactures and markets apparel, primarily protective gear, for high performance athletes. Originally, Debtor concentrated on the protective gear market, and has continued to be strong in that market. In the late 1990's, Debtor entered the moisture management apparel market, competing with athletic manufacturers such as Nike®. Debtor found that returns on marketing in this market were not high and encountered difficulties competing with the multinational companies already in the market. In spring of 2002 the Debtor's largest account for these products cancelled their commitments and returned substantial amounts of products already shipped.

At approximately the same time, suit was filed against the Debtor in the United States District Court for the Western District of Oklahoma alleging infringement of certain patents. A jury verdict was entered against the Debtor on June 25, 2003 and Debtor filed a notice of appeal of the verdict. Debtor had not planned for the legal expenses that such litigation would require, and this was an additional burden on the Debtor's finances.

As the financial pressures grew, the Debtor's primary secured lender, Associated Bank, froze the Debtor's operating account in July 2003. These two events plus Debtor's difficulties in maintaining timely payments with its trade suppliers led to the filing of a petition for relief under Chapter 11 of the Bankruptcy Code.

III. PENDING AND ANTICIPATED LITIGATION.

A. State/Federal Court.

Mark Cheatwood and Chad Strickland v. WSI Manufacturing, Inc., United States District Court for the Western District of Oklahoma, Civ. No. CIV-02-0045-L.

The plaintiffs, Mark Cheatwood and Chad Strickland ("Patent Plaintiffs") brought suit against the Debtor alleging infringement of United States Letters Patent No. 6,161,222 (the "Patent Litigation"). A jury returned a verdict against the Debtor in the approximate amount of $602,000 on June 25, 2003. Debtor believes the award is improper and will vigorously contest the award on appeal. The Debtor stipulated to relief from stay to allow judgment to be entered so that the Debtor could appeal the verdict. Under the terms of the Plan, this litigation will be settled and discharged.

B. Claim Objections.

Debtor reserves the right to object to any and all proofs of claim. Two claim bar dates have been established according to the Bankruptcy Code, February 9, 2004, for all creditors except governmental units and March 17, 2004 for all creditors that are governmental units. Objections will be filed as to claims filed after those dates. In addition, the Debtor may object to any scheduled or filed claims that are incorrect, but will compare filed claims to those scheduled and attempt to resolve any discrepancies before commencing the objection process.

C. Other Adversary Proceedings.

WSI Manufacturing, Inc. v. Mark Cheatwood and Chad Strickland, Adv. No. 03-4277. On or about September 3, 2003, the Patent Plaintiffs commenced an action against Mr. Wiens individually as Civ. No. 03-1207-M in the United States District Court for the Western District of Oklahoma (the "Personal Litigation"). The Personal Litigation concerned the same subject matter as the earlier litigation against the Debtor—the Debtor's alleged infringement of the Patent. The Debtor brought an adversary proceeding against the Patent Plaintiffs to extend the automatic stay to the Personal Litigation against Mr. Wiens. The Patent Plaintiffs agreed to temporarily stay the Personal Litigation against Mr. Wiens in exchange for the Debtor's stipulation for relief from stay to allow the Patent Litigation against the Debtor to proceed and in exchange of an extension of time to answer the complaint in the adversary proceeding. The parties are working toward a settlement of the Patent Litigation, the Personal Litigation and the adversary proceeding.

Under § 547 of the Bankruptcy Code, certain transfers by Debtor to creditors within 90 days (or in some cases, one year) prior to the Filing Date might be recoverable as avoidable preferences if the transfers allowed those creditors to receive more favorable treatment than others with similar claims. Bankruptcy Code § 548 and § 544 allow the Debtor to recover certain transfers that are considered "fraudulent", which are made within one or six years prior to the Filing Date. The Debtor is currently investigating these causes of action and it is anticipated that the Debtor may ultimately pursue some or all of these actions through litigation

IV. DESCRIPTION OF DEBTOR'S PLAN OF REORGANIZATION.

A. Introduction.

The specific terms of the Plan are described below and in the Plan itself. In the event of any conflict, the terms of the Plan control. Debtor has decided to re-focus on the protective gear market, its original strength. By returning to the core products and values that fueled the company's initial growth and by reorganizing existing debt, the company projects a swift return to positive cash flows and plans to reorganize and continue operations.

B. Treatment of Unclassified Claims.

Treatment of Certain Priority Claims

Certain allowed claims which are not classified shall be treated as follows:

(a) Allowed administrative expense claims specified in Code § 507(a)(1), except as otherwise provided in this Article, including fees of professionals, shall be paid in full in cash on the Effective Date, 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 the holders of such claims and Debtor.

(b) Allowed post-petition claims incurred in the ordinary course of Debtor's business will be paid as such claims become due, as agreed between the holders of such claims and Debtor, or otherwise in the ordinary course of Debtor's reorganized business.

(c) Allowed claims arising under any executory contracts or unexpired leases that are assumed by Debtor will be paid according to the terms of any order of the Court approving assumption of such contract or lease, or as agreed between the holders of such claims and the Debtor.

(d) Allowed claims specified in Code § 507(a)(8) (certain taxes) will be paid in full in cash on the Effective Date. Debtor believes there are no claims of this type.

(e) Fees payable by Debtor under 28 U.S.C. § 1930 will be paid in full in cash on the Effective Date. After confirmation, the Debtor shall continue to pay quarterly fees to the Office of the United States Trustee and to file quarterly reports with the Office of the United States Trustee on forms specified by the U.S. Trustee until this case is closed, dismissed or converted. This requirement is subject to any amendments to 28 U.S.C. § 1930(a)(6) that Congress makes retroactively applicable to confirmed Chapter 11 cases.

Classification and Treatment of Claims and Interests

Category 1--Priority Claims

Class 1-A—Priority Wage Claims. This class consists of all allowed claims of Debtor's employees entitled to priority pursuant to Code § 507(a)(3). Most of such claims have been paid pursuant to the terms of the Wage Order. The Debtor believes that there are $1,394.93 of claims in this class, the holder of such unpaid allowed claims will be paid in full in cash on the Effective Date.

Class 1-B—Priority Employee Benefits Claims. This class consists of all allowed claims of Debtor's employees entitled to priority pursuant to Code § 507(a)(4). All such claims have been paid pursuant to the terms of the Wage Order. To the extent there remain unpaid allowed claims in this class, the holder of such unpaid allowed claims will be paid in full in cash on the Effective Date.

Category 2 – Secured Claims

Class 2-A—Secured Claim of Associated Bank. This class consists of the allowed secured claim of Associated Bank in the approximate amount of $440,000.00 plus accrued interest in the amount of $2,555.00 as of the Filing Date. This claim is secured by a lien on and security interest in now existing and after acquired inventory, equipment, accounts receivable and general intangibles, proceeds and products of the foregoing ("the Collateral") This claim will be paid as follows:

Treatment: The Allowed Amount of the claim shall be the actual principal outstanding on the Effective Date plus accrued and unpaid interest, fees and charges permitted under the pre-petition agreements with the Bank. The Debtor believes that that principal amount on the Effective Date will be approximately $375,000. This amount shall be paid in one installment of $10,000 payable on the Effective Date and the remainder paid in equal monthly installments as follows:

Monthly Payment Amount	Start Date	End Date
$10,000	Start Date (see below)	December 31, 2005
$15,000	January 1, 2006	December 31, 2006

Such payments shall commence on the first day of the first month after the Effective Date, and continuing on the first day of each month thereafter until the earlier of (i) the date the allowed amount of the claim, together with accrued interest, is paid in full; or (2) December 31, 2006, at which time all remaining unpaid interest and principal shall be paid in full. Interest shall accrue on the unpaid balance at the rate of 1% over the Bank's prime or reference rate announced from time to time. Monthly payments will be applied first to accrued interest and then to principal. The holder of the allowed claim in this class shall retain its existing lien on and security interest in the Debtor's assets until the allowed amount of the claim and accrued interest is paid in full. Once the claim is paid in full, the lien shall be discharged and released. The holder of the claim shall take such actions and execute and deliver such documents as are necessary to evidence the discharge and release of its lien. The guaranty of this claim by Joel Wiens shall continue. On the Effective Date, Debtor and Mr. Wiens will execute such documents or take such actions as reasonably required by the Bank to evidence the repayment obligations herein and the grant and perfection of the liens securing Debtor's obligations to the Bank hereunder.

Category 3--Unsecured Claims

Class 3-A—Small Unsecured Claims. This class consists of all allowed unsecured claims that 1) are not entitled to priority and 2) are less than or equal to $1,000 or b) are greater than $1,000.00 but the holders of such claims have elected to have their claims come within and be treated as claims contained in Class 3-A by reducing their allowed unsecured claims to $1,000 on the ballot accepting or rejecting the Plan. Debtor estimates total claims in this class of $19,235. All allowed claims in this class will be paid the lesser of 15% of the allowed amount of the claim or $150 in cash on the Effective Date.

Class 3-B—Unsecured Claim of Patent Plaintiffs. This class consists of all allowed unsecured claims of the Patent Plaintiffs in the stipulated amount of $100,000. Debtor will pay an amount such that the distribution to this class equals 25% of all allowed unsecured claims in this class. This amount shall be paid in graduated quarterly installments equal to the amounts set forth below commencing on January 2, 2005, and continuing on the first day of each calendar quarter thereafter until an amount equal to 25% of the allowed claims in this class has been paid.

Payment Schedule	1/1/2005 to 12/31/2005	$4,000
	1/1/2006 to 12/31/2006	$4,500
	1/1/2007 to 12/31/2007	$5,000
	1/1/2008 to 12/31/2008	$5,500
	1/1/2009 to 12/31/2009	$6,000

The Debtor will continue to produce and sell allegedly infringing products, and will enter into a royalty agreement with Patent Plaintiffs to pay to Patent Plaintiffs 7.5% of the actual sale price of such products. The first $2,500 in royalties paid to Patent Plaintiffs in each calendar year shall be credited against the quarterly payment installments payable. Such royalty agreement will have an initial five (5) year term, renewable for an additional five year term at the option of the parties. All allegedly infringing products in Debtor's possession prior to the confirmation of the Plan have been sold, and Patent Plaintiffs have accepted royalty payments in the amount of 7.5% of the actual sale price of such goods. The Patent Plaintiffs will dismiss the Wiens Lawsuit, and all claims of Patent Plaintiffs against Mr. Wiens shall be released, and the Debtor shall dismiss the Cheatwood Adversary Proceeding. On the Effective Date, Debtor, the Patent Plaintiffs and Mr. Wiens will execute such documents or take such actions as may be reasonably required to evidence the obligations herein.

Class 3-C—General Unsecured Claims. This class consists of all allowed unsecured claims that 1) are not entitled to priority and, 2) are not contained in any other Class under the Plan. This class shall not include any claims of the Patent Plaintiffs. Total allowed claims in this Class are approximately $432,818. The Debtor will pay an amount such that the distribution to this class equals 20% of all allowed unsecured claims in this class provided that total allowed unsecured claims in this Class are equal to or less than $432,818. This amount shall be paid in graduated quarterly installments equal to the amounts set forth below commencing on January 2, 2005, and continuing on the first day of each calendar quarter thereafter until an amount equal to 20% of the allowed claims in this class has been paid.

1/1/2005 to 12/31/2005	$10,000
1/1/2006 to 12/31/2006	$10,000
1/1/2007 to 12/31/2007	$10,000
1/1/2008 to 12/31/2008	$20,000
1/1/2009 to 12/31/2009	$30,000

Class 3-D—Loans by Shareholder. This class consists of all loans by Joel Wiens to the Debtor in the amount of $38,230.65. On the Effective Date, the allowed amount of the claim shall be treated as a contribution to capital by the holder and no distribution under the Plan on account of this claim will be made.

Category 4--Equity Interests

Class 4-A—Equity Interests of Shareholder. This Class of interests consists of equity interests in the Debtor. In the event that the Plan is confirmed under section 1129(a) of the Bankruptcy Code, the equity interests in the Debtor are preserved and are unimpaired under the Plan. In the event that the Plan is confirmed under section 1129(b) with respect to classes 3-B or 3-C, equity interests in the Debtor as of the Filing Date will be cancelled and new equity interests representing 100% of the outstanding stock of the reorganized Debtor shall be issued as provided in the Means of Execution section of the Plan.

V.

Classes of Claims Impaired Under Plan

The following classes of claims or interests are unimpaired under the Plan: 1-A, 1-B and 4-A.

The following classes of claims or interests are impaired under the Plan: 2-A, 3A—D.

VI. REJECTION AND ASSUMPTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

On the Effective Date, Debtor shall assume the executory contracts and unexpired leases as provided in the attached Exhibit A to the Plan. Debtor reserves the right to modify such Exhibit A until the Court's order confirming the Plan becomes a Final Order. All executory contracts and unexpired leases of Debtor not listed in such Exhibit A and not assumed previously are rejected on the date the Court's order confirming the Plan becomes a Final Order. The date 30 days after the date that the Court's order confirming the Plan is entered is fixed as the time within which a proof of claim must be filed for any claim arising from the rejection of an executory contract or unexpired lease.

VII. MEANS FOR EXECUTION OF PLAN

(a) Equity Infusion. On or before the Effective Date, Joel Wiens shall contribute not less than $75,000 to the Debtor in the form of an equity contribution. In the event that Debtor seeks confirmation of the Plan under 11 U.S.C. § 1129(b), Debtor shall issue 100 shares of new common stock to Wiens in exchange for the capital contribution.

(b) Plan Funding. Funds to be used to make payments under the Plan have been or shall be generated from, among other things, the equity infusion by Joel Wiens, cash on hand on the Effective Date and from continued operation of the Debtor's business.

(c) Administration Pending Effective Date. Before the Effective Date, the Debtor shall continue to operate its business, subject to all applicable requirements of the Bankruptcy Code and the Bankruptcy Rules. After the Effective Date, Debtor may operate its business, and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, but subject to the continuing jurisdiction of the Bankruptcy Court as set forth in Article XIV.

(d) Post-Confirmation Fees; Final Decree. Debtor shall be responsible for paying any post-confirmation fees under 28 U.S.C. § 1930(a)(6) and the filing of post-confirmation reports, until a final decree is entered. A final decree shall be entered as soon as practicable after distributions have commenced under the Plan.

(e) Initial Officers and Directors. The officer of the Debtor on the Effective Date will be Joel Wiens, President and CEO. The director will be Joel Wiens.

(f) Corporate Action. As of the Effective Date; (a) the initial selection of the officers and Board of Directors of Debtor; (b) the adoption, execution, delivery and implementation of all contracts, leases, instruments, releases, and other agreements related to or contemplated by the Plan; and (c) the other matters provided for, under, or in furtherance of, the Plan involving action required of the Debtor shall be deemed authorized and approved in all respects without further order of the Court or further action of the Board of Directors of Debtor.

VIII. PROOFS OF CLAIM.

The only creditors who must file proofs of claim with the Court in order to receive the benefits of the Plan are the following:

a) Those who have not been listed by the Debtor in the schedules that were filed with the Court; and

b) Those who are listed by Debtor in the schedules that were filed with the Court but whose claims are listed as disputed, contingent or unliquidated.

If such a creditor does not timely file a proof of claim, the creditor will not receive a distribution under the Plan.

Any creditor who is listed by Debtor in the schedules filed with the Court, but is listed with an incorrect amount, will receive payment under the Plan only in the amount stated in the schedules unless the creditor has filed a timely proof of claim setting forth the correct amount, and such claim is allowed in that amount.

IX. ALTERNATIVES TO THE PLAN OF REORGANIZATION.

Debtor strongly believes that acceptance of the Plan is in the best interest of his creditors. The Plan allows creditors to be paid in full over a short period of time. The Plan should be viewed in the light of another alternative, a liquidation proceeding under Chapter 7 of the Bankruptcy Code where there would be liquidation of all Debtor's assets. Liquidation of Debtor is evaluated in Exhibit B. The analysis covers both a sale of Debtor's assets as a going concern and by piecemeal liquidation. The Debtor wishes to reorganize and has not actively pursued full liquidation.

X. TAX CONSEQUENCES.

A creditor receiving cash in satisfaction of its claim against the Debtor will recognize gain or loss measured by the amount received less the creditor's adjusted basis in its claim. Such gain or loss may be taxable as either an ordinary or a capital gain or loss, depending on the nature of the creditor's claim.

This is intended to be a summary only and not a substitute for careful tax planning with a tax professional. EACH HOLDER OF A CLAIM IS URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN if such creditor has any questions. The Debtor is not setting forth any information about a creditor's particular claim.

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XI. CONCLUSION.

As noted above, Debtor believes that acceptance of the Plan is in the best interest of all parties. Debtor requests that each holder of a claim complete the ballot and accept the proposed Plan.

WSI MANUFACTURING, INC.

By:___________________________
Its: ___________________________

*(e) Clinton E. Cutler*______________
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Attorneys for Debtor

XI. CONCLUSION.

As noted above, Debtor believes that acceptance of the Plan is in the best interest of all parties. Debtor requests that each holder of a claim complete the ballot and accept the proposed Plan.

WSI MANUFACTURING, INC.

By: ____________________

Its: Pres

____

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EXHIBIT A

WSI MANUFACTURING, INC.

FINANCIAL PROJECTIONS

WSI Projections

	1999		2000		2001		2002		2003		2004		2005		2006		2007		2008	
Income Statement																				
Sales		0.0%	2,381,665	104.7%	3,425,467	106.1%	3,819,542	109.7%	3,355,930											
Shipping charged to customer		0.0%	50,892	2.2%	69,180	2.1%	82,490	2.4%	90,338											
Sales discounts		0.0%	(93,139)	-4.1%	(104,168)	-3.2%	(127,613)	-3.7%	(168,027)											
Returns & allowance		0.0%	(65,270)	-2.9%	(162,948)	-5.0%	(293,937)	-8.4%	(248,793)											
Net Sales	2,033,505	100.0%	2,274,148	100.0%	3,227,530	100.0%	3,480,482	100.0%	3,029,448	100.0%	2,200,000	100.0%	2,500,000	100.0%	3,000,000	100.0%	3,600,000	100.0%	4,300,000	100.0%
Cost of sales																				
Materials		0.0%	702,159	30.9%	916,719	28.4%	1,193,781	34.3%	1,224,224	40.4%	583,000	26.5%	662,500	26.5%	795,000	26.5%	954,000	26.5%	1,139,500	26.5%
Transportation		0.0%	85,753	3.8%	101,023	3.1%	132,368	3.8%	143,616	4.7%	110,000	5.0%	125,000	5.0%	150,000	5.0%	180,000	5.0%	215,000	5.0%
Direct labor cost		0.0%	518,497	22.8%	800,594	24.8%	757,166	21.8%	528,477	17.4%	528,000	24.0%	600,000	24.0%	720,000	24.0%	864,000	24.0%	1,032,000	24.0%
Indirect labor		0.0%	173,606	7.6%	231,140	7.2%	383,292	11.0%	397,933	13.1%	264,000	12.0%	300,000	12.0%	360,000	12.0%	432,000	12.0%	516,000	12.0%
R & D		0.0%	17,702	0.8%	25,771	0.8%	17,420	0.5%	6,322	0.2%	4,591	0.2%	5,217	0.2%	6,261	0.2%	7,513	0.2%	8,974	0.2%
Total Cost of Sales	1,446,532	71.1%	1,497,716	65.9%	2,075,248	64.3%	2,484,027	71.4%	2,300,573	75.9%	1,489,591	67.7%	1,692,717	67.7%	2,031,261	67.7%	2,437,513	67.7%	2,911,474	67.7%
Gross Margin	586,973	28.9%	776,432	34.1%	1,152,282	35.7%	996,455	28.6%	728,875	24.1%	710,409	32.3%	807,283	32.3%	968,739	32.3%	1,162,487	32.3%	1,388,526	32.3%
Operating expenses	Compiled 1999		Compiled 2000		Compiled 2001		Compiled 2002		Compiled 2003											
Insurance	18,269	0.9%	25,908	1.1%	28,414	0.9%	37,355	1.1%	39,441	1.3%	59,000	2.7%	45,000	1.8%	50,000	1.7%	55,000	1.5%	60,000	1.4%
Commissions		0.0%	173,742	7.6%	224,731	7.0%	251,670	7.2%	179,593	5.9%	129,800	5.9%	147,500	5.9%	177,000	5.9%	212,400	5.9%	253,700	5.9%
Advertising & promotion	127,543	6.3%	125,155	5.5%	223,768	6.9%	415,636	11.9%	369,631	12.2%	125,400	5.7%	100,000	4.0%	120,000	4.0%	144,000	4.0%	172,000	4.0%
Auto	6,359	0.3%	10,417	0.5%	6,772	0.2%	8,796	0.3%	6,484	0.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Postage	4,440	0.2%	7,145	0.3%	7,364	0.2%	8,641	0.2%	7,639	0.3%	10,000	0.5%	10,000	0.4%	11,000	0.4%	11,000	0.3%	12,000	0.3%
Depreciation Furn & Fixt	27,700	1.4%	12,198	0.5%	32,403	1.0%	16,000	0.5%	11,210	0.4%	6,000	0.3%	6,000	0.2%	6,000	0.2%	6,000	0.2%	6,000	0.1%
Professional Fees	16,368	0.8%	9,905	0.4%	20,876	0.6%	25,973	0.7%	181,993	6.0%	50,000	2.3%	12,000	0.5%	15,000	0.5%	18,000	0.5%	21,000	0.5%
Rent - equipment	3,793	0.2%	3,519	0.2%	4,843	0.2%	4,673	0.1%	4,854	0.2%	5,000	0.2%	6,000	0.2%	7,000	0.2%	8,000	0.2%	9,000	0.2%
Rent - office	49,851	2.5%	61,660	2.7%	62,005	1.9%	117,120	3.4%	126,811	4.2%	130,000	5.9%	120,000	4.8%	125,000	4.2%	130,000	3.6%	135,000	3.1%
Utilities	3,046	0.1%	8,952	0.4%	10,813	0.3%	3,583	0.1%		0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Repairs & maintenance	2,036	0.1%	7,355	0.3%	8,006	0.2%	13,752	0.4%	5,697	0.2%	1,000	0.0%	1,500	0.1%	2,000	0.1%	2,500	0.1%	3,000	0.1%
Garbage	696	0.0%	1,142	0.1%	1,498	0.0%	1,915	0.1%	2,000	0.1%	1,500	0.1%	1,500	0.1%	1,500	0.1%	1,500	0.0%	1,500	0.0%
Seminars & education		0.0%		0.0%		0.0%		0.0%	3,000	0.1%	3,000	0.1%	3,000	0.1%	3,000	0.1%	3,000	0.1%	3,000	0.1%
Telephone	14,240	0.7%	16,409	0.7%	17,887	0.6%	21,249	0.6%	13,436	0.4%	13,000	0.6%	15,000	0.6%	17,000	0.6%	19,000	0.5%	21,000	0.5%
Travel & entertainment	35,208	1.7%	56,150	2.5%	91,872	2.8%	75,327	2.2%	81,650	2.7%	50,000	2.3%	60,000	2.4%	70,000	2.3%	80,000	2.2%	90,000	2.1%
Meals	10,745	0.5%	10,302	0.5%	13,069	0.4%	3,947	0.1%	2,002	0.1%	1,000	0.0%	1,500	0.1%	2,000	0.1%	2,500	0.1%	3,000	0.1%
Office labor costs & taxes	64,267	3.2%	77,614	3.4%	75,464	2.3%	93,645	2.7%	159,532	5.3%	160,000	7.3%	160,000	6.4%	170,000	5.7%	180,000	5.0%	190,000	4.4%
Office expense	17,886	0.9%	16,957	0.7%	14,026	0.4%	21,977	0.6%	14,998	0.5%	15,000	0.7%	16,000	0.6%	17,000	0.6%	18,000	0.5%	19,000	0.4%
Dues & subscriptions	3,158	0.2%	805	0.0%	820	0.0%	701	0.0%	2,379	0.1%	9,000	0.4%	3,000	0.1%	3,000	0.1%	3,000	0.1%	3,000	0.1%
Bad debt	12,410	0.6%	41,444	1.8%	46,000	1.4%	8,787	0.3%	56,566	1.9%	22,000	1.0%	25,000	1.0%	30,000	1.0%	35,000	1.0%	40,000	0.9%
Bank charges & cc card fees	2,950	0.1%	3,570	0.2%	5,893	0.2%	9,103	0.3%	8,096	0.3%	6,000	0.3%	7,000	0.3%	8,000	0.3%	9,000	0.3%	10,000	0.2%
Interest expense	383	0.0%	814	0.0%	3,003	0.1%	26,162	0.8%	17,557	0.6%	18,000	0.8%	24,000	1.0%	24,000	0.8%	24,000	0.7%	24,000	0.6%
Contributions	220	0.0%	443	0.0%		0.0%		0.0%		0.0%	0		0		0		0		0	
Miscellaneous/Other	191	0.0%	2,543	0.1%	723	0.0%	8,616	0.2%	(6,679)	-0.2%	0		0		0		0		0	
Reorganization expense		0.0%		0.0%		0.0%	(0)	0.0%		0.0%	25,000	1.1%	25,000	1.0%	25,000	0.8%	25,000	0.7%	25,000	0.6%
		0.0%		0.0%		0.0%		0.0%		0.0%										
Total Expense	421,759	20.7%	674,149	29.6%	900,250	27.9%	1,174,628	33.7%	1,287,887	42.5%	839,700	38.2%	789,000	31.6%	883,500	29.5%	986,900	27.4%	1,101,200	25.6%
Net income	165,214	8.1%	102,283	4.5%	252,033	7.8%	(178,173)	-5.1%	(559,012)	-18.5%	(129,291)	-5.9%	18,283	0.7%	85,239	2.8%	175,587	4.9%	287,326	6.7%

Balance Sheet	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03		12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
Cash	0	0	0		27,429		64,379	11,662	(65,099)	5,929	221,424
Accounts receivable	278,594	311,269	374,647	337,898	325,209	adjusted	375,000	350,000	350,000	367,559	439,390
Prepaid					1,785			0	0	0	0
Inventory raw material	80,897	101,291	205,241	199,800	196,803		140,000	161,000	193,200	231,840	278,208
Inventory finished goods	77,321	88,919	276,194	373,200	244,043		160,000	184,000	220,800	264,960	317,952
Current assets	436,812	501,479	856,082	910,898	795,269		739,379	706,662	698,901	870,288	1,256,974
Furniture & fixtures	8,140	8,140	10,634	21,979	21,979		21,979	21,979	21,979	21,979	21,979
Computers & equipment	78,310	85,603	112,778	122,278	126,970		126,970	128,970	130,970	132,970	132,970
Vehicles	22,200	22,200	22,200	22,200			0	0	0	0	0
Leasehold improvements				5,977	5,977		5,977	5,977	5,977	5,977	5,977
	108,650	115,943	145,612	172,434	154,926		154,926	156,926	158,926	160,926	160,926
Less accum depreciation	84,153	96,351	128,754	144,754	132,554		138,554	144,554	150,554	156,554	156,554
Net P, P & E	24,497	19,592	16,858	27,680	22,372		16,372	12,372	8,372	4,372	4,372
Other assets	1,300	0	0	0	9,448		9,448	9,448	9,448	9,448	0
Total assets	**462,609**	**521,071**	**872,940**	**938,578**	**827,089**		**765,199**	**728,482**	**716,721**	**884,108**	**1,261,346**
Bank overdrafts	2,643	33,271	27,905	18,580			0	0	0	0	0
Bank line of credit				427,000	447,555		345,000	249,000	87,000	0	0
Accounts payable	57,426	41,582	157,462	73,642	24,183		25,000	30,000	35,000	40,000	45,000
Current portion of L-T debt	3,189	2,564	0	0	0		0	0	0	0	0
Accrued liabilities											
Commissions	(745)	14,663	14,663	14,663	0		6,000	6,000	6,000	6,000	6,000
Payroll	1,800	10,793	10,793	10,793	15,443		10,000	10,000	10,000	10,000	10,000
Payroll taxes				0	1,181		2,000	2,000	2,000	2,000	2,000
Professional fees					17,148		0	0	0	0	0
Profit sharing	6,575	8,950	9,000	0			0	914	4,262	8,779	14,366
Income taxes	300	300	300	300	0		0	0	0	0	0
Total current liabilities	71,188	112,123	220,123	544,978	505,510		388,000	297,914	144,262	66,779	77,366
Unsecured (pre-pet) debt											
Accounts payable					380,000	adjusted	80,000	64,000	48,000	32,000	16,000
Law suit					650,000	adjusted	25,000	20,000	15,000	10,000	5,000
N/P - shareholder					38,231		38,231	38,231	38,231	38,231	38,231
Priority payroll					1,395		0	0	0	0	0
Term debt	20,000	5,310	0	0	0		143,231	122,231	101,231	80,231	59,231
Total debt	91,188	117,433	220,123	544,978	1,575,136		531,231	420,145	245,493	147,010	136,597
Common stock	2,838	2,838	2,838	2,838	2,838		107,838	107,838	107,838	107,838	107,838
Beginning retained earnings	373,715	368,583	400,800	649,979	390,762		(855,587)	233,968	308,337	471,228	737,098
Adjustments					(582,635)		1,111,008	(51,752)	(30,186)	(17,555)	(7,513)
Current earnings	165,214	102,283	252,033	(178,173)	(559,012)		(129,291)	18,283	85,239	175,587	287,326
Distributions	(170,346)	(70,066)	(2,853)	(81,044)							
Total equity	371,421	403,638	652,817	393,600	(748,047)		233,968	308,337	471,228	737,098	1,124,749
Total liabs & equity	**462,609**	**521,071**	**872,940**	**938,578**	**827,089**		**765,199**	**728,482**	**716,721**	**884,108**	**1,261,346**

EXHIBIT B

WSI MANUFACTURING, INC.

LIQUIDATION ANALYSIS

WSI Manufacturing Co., Inc.

WSI Sports, Inc.
Liquidation analysis based on June 30, 2004 Balance sheet

	6/30/2004	Liquidation Percentage	Cash Realized
Cash	$53,566	100%	53,566
Security Deposit	9,448	0%	-
Accounts Receivable	269,751	80%	215,800
Prepaid Expenses	24,000	5%	1,200
Inventory-Raw Materials	155,833	50%	77,917
Inventory-Finished Goods	155,821	50%	77,911
Net Fixed Assets	19,372	50%	9,686
Organization Costs	0	0%	-
Net realized cash			436,080
Estimated liquidation costs			(30,000)
Cash available for secured lender			406,080
Due Secured Lender			(425,358)
Post petition payable			(61,182)
Cash available for prepetition expenses			(80,460)
Prepetition unsecured balance			(1,070,606)
Shortfall			(1,151,066)