UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In Re: BKY CASE No. 04-31444

Helical Dynamics, Inc.

Debtor.

DEBTOR'S DISCLOSURE STATEMENT

I. INTRODUCTION

II. NATURE AND HISTORY OF DEBTOR'S BUSINESS AND EVENTS LEADING TO THE FILING OF CHAPTER 11

- A. Organization and Operations
- B. Financial History and Events Leading to Filing of Petition
- C. Operations During Chapter 11

III. CLAIMS AGAINST OTHERS

- A. Preferences
- B. Claims Against Insiders
- C. Objections to Claims Against Debtor

IV. DESCRIPTION OF DEBTOR'S PLAN OF REORGANIZATION

- A. Description and Treatment of Classes of Claims
- B. Classes of Claims Impaired Under the Plan
- C. Executory Contracts and Unexpired Leases
- D. Summary of Plan and Means for Execution of the Plan

V. POST-CONFIRMATION OPERATIONS

VI. ALTERNATIVES TO THE PLAN OF REORGANIZATION

VII. COMMITTEE OF UNSECURED CREDITORS

VIII. CONFIRMATION OF STANDARDS

IX. CONCLUSION

I.

INTRODUCTION

Helical Dynamics, Inc. ("Debtor") filed a case pursuant to Chapter 11 of the United States Bankruptcy Code on March 11, 2004. Debtor is filing this Disclosure Statement ("Disclosure Statement") which has been prepared for the Bankruptcy Court's approval for submission to the holders of the claims and interests with respect to Debtor and its assets. Capitalized terms used in this Disclosure Statement shall have the meanings given to them in the Plan or by the Bankruptcy Code unless the context otherwise requires.

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. The Debtor is protected by the automatic stay provisions of Section 362 of the Bankruptcy Code while it attempts to present a plan of reorganization to its creditors.

The Debtor's Disclosure Statement is furnished pursuant to Section 1125 of the Bankruptcy Code and is intended to provide all persons known to have claims against the Debtor with sufficient information to permit them to make an informed judgment as to their votes to accept or reject the Plan. No representations concerning Debtor, particularly as to its future business operations, the value of its property, other than those set forth in this Disclosure Statement, are authorized by Debtor.

ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN THOSE IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR DEBTOR OR TO THE UNITED STATES TRUSTEE, WHO, IN TURN, SHALL DELIVER THIS INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTIONS AS MAY BE DEEMED APPROPRIATE.

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. BANKRUPTCY COUNSEL FOR DEBTOR HAS NOT VERIFIED ANY OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT.

Definitions of terms used in this Disclosure Statement are provided in Article I of Debtor's Plan of Reorganization, which is submitted herewith.

II.

NATURE AND HISTORY OF DEBTOR'S BUSINESS AND EVENTS LEADING TO THE FILING OF THE CHAPTER 11 CASE

A. Organization and Operation.

The Debtor is a Minnesota corporation founded in 1983. Its Shareholders are Ann Diachuk, Michael Diachuk, Olga Diachuk and Walter Diachuk. The same individuals constitute the Board of Directors. Michael and Walter Diachuk are the Operating Officers of the Debtor. The Debtor was formed to design, fabricate and sell oil mist collection systems, primarily selling to the automotive industries. The mist collectors manufactured by the Debtor are used in manufacturing facilities to remove oils and contaminants from the air. The Debtor also has the ability to install mist collection systems, including duct work.

B. Financial History and Events Leading to Filing of Petition.

The Debtor has had several successful and profitable years since commencing operations in 1983. The events of September 11, 2001, and the subsequent economic downturn, caused the Debtor to suffer severe financial hardship and losses. Subsequent to September 11, 2004, the automotive industry cancelled or announced delays on numerous capital projects. As an example, the Debtor's revenues for the calendar year 2002 were $2,032,000.00. The Debtor sustained a $511,000.00 loss in that year. Similarly, the Debtor's sale set forth in the calendar year 2003 were only $1,439,000.00, and the Debtor sustained a loss of $841,000.00. The Debtor has virtually no revenue in the first quarter of 2004. Since filing Chapter 11, the Debtor has obtained and manufactured mist collection systems of a value in excess of $2,100,000.00.

In an effort to remain viable, the Debtor obtained a "disaster loan" from the United States Small Business Administration in April of 2002. The loan proceeds were $870,000.00. While these proceeds permitted the Debtor to remain in operation, they did not solve the Debtor's problems created by lost sales.

In early 2004, the Debtor defaulted on certain obligations to GCI Capital Service Corp. GCI Capital Service Corp. held a lien on the Debtor's fabrication equipment. GCI Capital proceeded to obtain a judgment and have the Sheriff of Hennepin County attach the fabrication equipment. This action caused the Debtor to file Chapter 11 on March 11, 2004.

C. Operations During Chapter 11

1. Description of Business Operations

Attached as Exhibit A are financial statements of the Debtor's operations through August 31, 2004.

2. Retention of Professionals:

The Debtor has retained Steven B. Nosek, Attorney at Law, Suite 300, 701 Fourth Avenue South, Minneapolis, MN 55415 as is bankruptcy counsel.

III.

CLAIMS AGAINST OTHERS

A. Preferences

The Debtor believes there are preferential transfers which have been made to third parties. The Debtor does not believe that it will be economically beneficial to pursue preferential transfers based upon an analysis conducted by the Debtor. It is the Debtor's view that commencing actions would create additional legal expense that would outweigh the return to the Debtor or its creditors. Many of the transfers made by the Debtor prior to filing Chapter 11 were based upon COD sales made by the Debtor's vendors.

B. Claims Against Insiders

The Debtor does not believe there are recoverable preferential transfers or claims against insiders.

C. Compensation of Officers

The Officers of the Debtor are Walter Diachuk and Walter Diachuk, both of whom receive annual compensation of $60,000.00 per year.

D. Objections to Claims Against Debtor

The claim filing bar date for creditors other than governmental units was July 26, 2004. The claim filing bar date for governmental units was September 7, 2004.

IV.

DESCRIPTION OF DEBTORS PLAN OF REORGANIZATION

The Debtor's Plan of Reorganization has the following classified claims and interest:

A. Description and Treatment of Classes of Claims

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). The Debtor does not believe there are any claims in this Class.

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 - Secured Claim of Citicorp. Dell Lease, Inc.

This class consists of the claim of CitiCapital Commercial Corporation f/k/a Citicorp Del-Lease, Inc. ("Dell"), secured by a lien on a forklift owned by the Debtor. The amount of the claim as determined by the Bankruptcy Court Order which was entered August 5, 2004 is $15,548.27.

Treatment.

The Order entered by the Bankruptcy Court on August 5, 2004 required the Debtor to make certain payments on a monthly basis to the Class B Claimant. The payments are described in paragraph 2 of the Bankruptcy Court Order. The Debtor will continue to make said payments until the Class B Claim is paid in full.

3. Class C Claim - Secured Claim of Expert Leasing Company.

This Claim consists of the Secured claim of Expert Leasing Company secured by a first security interest on cash, cash equivalents and accounts receivable. The amount on the Claim as of the Filing Date was $379,837.00.

Treatment.

The Debtor has paid the Class C Claim in full through collections of accounts receivable.

4. Class D - Secured Claim of Expert Leasing Company.
This Claim consists of the Secured Claim of Expert Leasing Company arising out of post petition purchase order financing provided by Expert Leasing Company to the Debtor. The amount of the Claim as of September 8, 2004 is $1,113,008.00.

Treatment.

The Debtor will cause the Class D Claim to be paid in full through collections of accounts receivable owing by Daimler Chrysler Corporation.

5. Class E - Secured Claim of Internal Revenue Service.

This Claim consists of the alleged Secured Claim of the Internal Revenue Service ("IRS") by virtue of a tax lien filed with the Minnesota Secretary of State. The Debtor alleges that the Claim is in fact an unsecured claim as a result of the operation of 11 U.S.C. §506.

Treatment.

The Claim will be paid in accordance with 11 U.S.C. §1129(a)(9)(c) at an interest rate of 5% per annum of this Plan of Reorganization.

6. Class F - Tax Lien Claim of the Minnesota Department of Revenue.

This Claim consists of the alleged Secured Claim asserted by the Minnesota Department of Revenue by virtue of a tax lien filed with the Minnesota Secretary of State. The Debtor alleges that the Claim is in fact an unsecured claim as a result of the operation of 11 U.S.C. §506.

Treatment.

The Claim will be paid in accordance with 11 U.S.C. §1129(a)(9)(c) at an interest rate of 5% per annum of this Plan of Reorganization.

7. Class G - Secured Claim of the Small Business Administration.

This Claim consists of the Secured Claim of the Small Business Administration ("SBA") secured by a security interest on the Debtor's accounts and machinery and equipment. The Claim is in the approximate amount of $870,000.00.

Treatment.

The Debtor proposes to pay the allowed secured claim of the Class G Claimant by making monthly payments with 5% interest amortized over a period of 20 years. Monthly payments on this obligation will be in the amount of $4,300.00 per month.

8. Class H - Secured Claim of Toyota Motor Credit Corporation.

This Claim consists of three Leases entered into between the Debtor and Toyota Motor Credit Corporation in 2001. The Leases are subject to an adequate protection order entered by the Bankruptcy Court on May 14, 2004.

Treatment.

The Debtor proposes to continue the Lease payments due to the Class H Claimant making monthly payments pursuant to the contracts between the Debtor and the Class H Claimant.

9. Class I - Secured Claim of GE Capital Services.

This Claim consists of a balance due the Class I Claimant by the Debtor arising as a result of certain copier Leases entered into in 1998. The balance due is in the amount of $3,000.00. The balance was determined by an Order of the Bankruptcy Court dated July 27, 2004.

Treatment.

The balance due the Class I Claimant by the Debtor is $3,000.00. The amount will be paid, if not earlier, on the Effective Date.

10. Class J - Secured Claim of GCI Capital Services Corp.
This Claim consists of the Secured Claim of GCI Capital Services Corp ("GCI") secured by a first security interest and lien on certain equipment owned by the Debtor.

Treatment.

The Claim will be paid, in full, on the Effective Date, from funds received from Plymouth Pond Development, Inc., who will acquire, by assignment, the lien and security interest of the Class J Claimant.

11. Class K - Secured Claim of Plymouth Ponds Development.
This Claim consists of the Claim for prepetition unsecured rent held by the

Debtor's Landlord. The Claimant is Plymouth Development Company, Inc. The Claim is evidenced by a Judgment Docketed in Hennepin County District Court. The amount of the Claim is $350,000.00.

Treatment.

The Debtor will pay the Claim held by the Class K Claimant, in full, on the Effective Date. The funds to pay this Claim will be obtained from a loan through the Debtor. The Debtor intends to enter into a Lease Modification Agreement on the Effective Date which will result in the executory contract between the Class K Claimant and the Debtor being affirmed.

12. Class L – Unsecured Creditors.
This Class consists of the claims of Debtor's Unsecured Creditors. The Debtor believes that the approximate amount of such unsecured claim is $286,000.00. (including disputed claims).

Treatment.

Unsecured creditors (not including the claim of the Debtors landlord) will receive a distribution of 15% of their Claims on the Effective Date and 12.5% at the end of each of the calendar years 2005, 2006, 2007 and 2008, for a total of 65% (the "65% Distribution").

Unsecured Creditors will receive an additional 10% of their Claim in each of the years 2005, 2006, 2007 and 2008 in which Debtor's gross sales exceed $4 million (the "Sales Distribution").

The 65% Distribution and any accrued Sales Distribution will be accelerated and will be immediately payable in full upon any shareholder's sale of Debtor's stock or the sale of all or substantially all of Debtor's assets. The buyer will assume any additional Sales Distribution obligation.

13. Class M - Stockholder Interests:

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

Treatment.

The Shareholders will retain their stockholder interests in the Debtor.

V.

CLASSES OF CLAIMS AND INTERESTS IMPAIRED UNDER PLAN

Class A, Class B, Class C, Class D, Class E, Class F, Class G, Class H, Class I, Class J, Class K and Class M are unimpaired under this Plan. All other classes are impaired under the Plan and are entitled to vote on the Plan.

VI.

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 $40,000.00.

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. 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. The Debtor is pursuing a plan to continue operations consequent to the Confirmation Date of the Debtor’s Plan of Reorganization.

VII.

IMPLEMENTATION OF PLAN

The Debtor is proposing to refinance its capital equipment and fabricating equipment by obtaining a loan from Moen Leuer Construction, Inc. The proceeds of the loan will be used to pay, in full, the balance due GCI Capital Services, Inc. Additional loan proceeds will be used to pay the Debtor’s Landlord (an entity related to Moen Leuer Construction, Inc.) to bring the Debtor’s Lease current. Additional funds will be used to fund

payments to be made to unsecured creditors and the balance of the funds will be used for working capital. Attached as Exhibit B is a liquidation analysis of the Debtor. Attached as Exhibit C is a financial statement for the Debtor as of December 31, 2003. Attached as Exhibit D are the five year financial projections for the Debtor.

VII.

COMMITTEE OF UNSECURED CREDITORS

The United States Trustee has appointed a Committee of Unsecured Creditors. Those members are:

1. Dee Cramer, Inc.
   Attn: Matthew D. Cramer
   4221 East Baldwin Road
   Holly, MI 48442
   Telephone: 810-579-5000

2. McManus, Babcock & Co., Ltd.
   Attn: Carmen M. Ouverson
   5701 Kentucky Avenue North, #200
   Crystal, MN 55428
   Telephone: 763-535-3600

3. Twin City Oxygen
   Attn: Gerald Castner
   305 – 2nd Street NW, Suite 125
   New Brighton, MN 55112
   Telephone: 651-628-4848

The Committee of Unsecured Creditors is represented by attorney James A. Rubenstein, Moss & Barnett, P.A., 4800 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402-4129.

VIII.

CONFIRMATION STANDARDS

Before confirmation, the Court must determine whether the Plan has been accepted by the holders of claims in each class considered "impaired" by the Plan. For a class of claims to accept the Plan, an affirmative vote must be cast by those that vote at least two-thirds in amount and more than fifty percent in number of allowed claims.

For a class of interests to accept the Plan, an affirmative vote of at least two-thirds in amount of allowed interests must be cast by those who vote.

The purpose of this Disclosure Statement is to provide the holders of such claims and interests with adequate information about Debtor and its Plan so that they can make an informed judgment about the Plan's merits. Once the Bankruptcy Court Orders approval of the Disclosure Statement and setting the date of the confirmation hearing, a deadline date will be determined by which ballots must be filed with the Clerk of Bankruptcy Court which is earlier than the date of the confirmation hearing. Creditors may vote on the Plan by filling out and mailing the accompanying ballot to the Bankruptcy Court, or if the deadline date by which ballots must be filed allows, they may attend the hearing and present the Ballot in person prior to the time set by the Bankruptcy Court. Pursuant to Bankruptcy Rules 3001 and 3003, claims will be allowed to the extent listed in the Schedules of Debtors, unless scheduled as disputed, contingent or unliquidated or unless a timely proof of claim is filed.

As a creditor, your vote is important. The Plan can be confirmed by the Bankruptcy Court if it is accepted by the holders of two-thirds in amount and more than one-half in number of the claims in each impaired class voting on the Plan. In the event that one or more classes reject the Plan, the Bankruptcy Court may nevertheless confirm the Plan if the Bankruptcy Court finds that the Plan accords fair and equitable treatment to the class rejecting it. This means that, pursuant to 11 U.S.C. § 1129(b), the Plan may be confirmed even if a class of claims or interests rejects the Plan so long as the Plan provides that, with respect to each class of unsecured claims, (1) each holder of a claim or interest in the rejecting class receives the value of that claim or interest; <u>or</u> (2) no holder of a claim or interest junior to those held by members of the rejecting class will receive or retain something under the Plan.

The Plan may be amended or modified in the manner prescribed in 11 U.S.C. §1127 of the Bankruptcy Code. To the extent required under §1127, a holder of a claim or equity interest that has accepted or rejected the Plan shall be deemed to an accepted or rejected, as the case may be, the Plan is modified or amended, unless, within applicable time periods, such holder changes its previous acception or rejection. In addition, the Debtor may revoke and/or withdraw the Plan at any time prior to the Confirmation Date. If the Plan is revoked and/or withdrawn, the Plan will be null and void.

On the Effective Date, accept as otherwise provided in the Plan, all of the Debtor's rights, title and interest in and to its assets, including bankruptcy causes of action, shall be retained by the Debtor. In addition, the Bankruptcy Court shall retain its jurisdiction described in Article 9 of the Debtor's Plan. The purpose of this provision is to allow the Court to resolve certain disputes with respect to the Debtor's Plan.

The Bankruptcy Code contains provisions authorizing the confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims (without including any acceptance of the plan by any insider) has accepted it. These

claims (without including any acceptance of the plan by any insider) has accepted it. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code. As indicated above, a plan may be confirmed under the cramdown provisions if, in addition to satisfying the other requirements of section 1129 of the Bankruptcy Code, it (a) is "fair and equitable" and (b) "does not discriminate unfairly" with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. The "fair and equitable" standard, also known as the "absolute priority rule," requires, among other things, that unless a dissenting unsecured class of claims or a class of interests receives full compensation for its allowed claims or allowed interests, no holder of claims or interests in any junior class may receive or retain any property on account of such claims. With respect to a dissenting class of secured claims, the "fair and equitable" standard requires, among other things, that holders either (a) retain their liens and receive deferred cash payments with a value as of the plan's effective date equal to the value of their interest in property of the estate or (b) otherwise receive the indubitable equivalent of their secured claims. The "fair and equitable" standard has been interpreted to prohibit any class senior to a dissenting class from receiving under a plan more than one hundred percent (100%) of its allowed claims. The requirement that a plan not "discriminate unfairly" means, among other things, that a dissenting class must be treated substantially equally with respect to other classes of equal rank.

Notwithstanding acceptance of the Plan by each impaired class or satisfaction of the cramdown requirements, to confirm the Plan the Bankruptcy Court must determine that the Plan is in the best interests of each holder of a claim or interest in any such impaired class who has not voted to accept the Plan. Accordingly, if an impaired class does not unanimously accept the Plan, the best interests test requires that the Bankruptcy Court find that the Plan is in the best interests of each member of such impaired class. This "best interests test" is met if the Plan provides to each member of such impaired class a recovery on account of the class member's claim or interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code on such date.

IX.

CONCLUSION

The Debtor believes that acceptance of the Plan is in the best interest of all parties. Debtor urges all holders of claims and interests to vote in favor of the Plan.

Helical Dynamics, Inc.

Dated: September 21, 2004.

By: _____
Its President

EXHIBIT A

Helical Dynamics, Inc.
Case # 04-31444
United States Trustee
Monthly Operating Report
Comparative Balance Sheet

			3rd Quarter		
	Filing Date Court Exhibits 3/11/2004	Filing Date Financial 3/11/2004	Month 1 of Quarter 7/31/2004	Month 2 of Quarter 8/31/2004	Month 3 of Quarter 9/30/2004
ASSETS					
Cash	1,063	1,048	42,994	(1,737)	
Accounts receivable	413,934	394,733	660,051	809,948	
Inventory	115,744	115,744	115,744	115,744	
Prepaid expenses	-	-	5,680	27,824	
Total current assets	530,741	511,525	824,469	951,779	-
Vehicles	-	47,053	47,053	47,053	
Office equipment	416,387	416,387	416,387	416,387	
Shop equipment	1,847,601	1,847,601	1,847,601	1,847,601	
Leasehold improvements	-	-			
	2,263,988	2,311,041	2,311,041	2,311,041	-
Less accumulated depreciation	1,960,652	2,007,704	2,100,370	2,113,608	
	303,336	303,337	210,671	197,433	-
Patents and Trademarks	374,444	374,444	374,444	374,444	
Less accumulated amortization	276,163	276,163	281,182	281,899	
	98,281	98,281	93,262	92,545	-
Other Assets:					
Security deposit	10,500	10,500	16,078	16,078	
Cash value officer life insurance	2,934	2,934	2,934	2,934	
	13,434	13,434	19,012	19,012	-
	945,792	926,577	1,147,414	1,260,769	-

Helical Dynamics, Inc.
Case # 04-31444
United States Trustee
Monthly Operating Report
Comparative Balance Sheet

	Filing Date Court Exhibits 3/11/2004	Filing Date Financial 3/11/2004	3rd Quarter Month 1 of Quarter 7/31/2004	Month 2 of Quarter 8/31/2004	Month 3 of Quarter 9/30/2004
Liabilities					
Accounts payable			224,820	301,087	
Accrued salary			6,618	18,009	
Accrued payroll taxes			131	133	
Accrued IRA contributions			(3,244)	(4,209)	
Accrued expenses			164,000	-	
Other			92	92	
Secured					
Note accounts receivable factored			-		
Note purchase order financing			1,113,007	1,077,528	
Total post-petition liabilities	-	-	1,505,424	1,392,640	-
Secured					
Notes payable	870,600	870,600	853,400	849,100	
Note accounts receivable factored	379,837	366,840			
Note purchase order financing		7,464			
Capitalized equipment leases	1,264,130	1,264,131	1,264,131	1,261,798	
Federal payroll taxes	197,373	195,432	181,432	177,932	
State payroll taxes	6,189	6,190	6,190	6,190	
Priority					
Accrued payroll		18,447			
Accrued IRA contributions	2,847	2,847			
Accrued payroll taxes		9,298	6,866	6,866	
Accrued franchise tax		1,000	1,000	1,000	
Unsecured					
Accounts payable	1,099,651	1,117,139	1,095,829	1,095,829	
Accrued interest		110,000	110,000	110,000	
Shareholder notes		950,232	950,411	950,411	
Accrued insurance		173			
Total pre-petition liabilities	3,820,627	4,919,793	4,469,259	4,459,126	-
Stockholder's Equity:					
Common stock		1,000	1,000	1,000	
Additional paid in capital		-			
Retained earnings		(3,994,216)	(4,828,269)	(4,591,997)	
	-	(3,993,216)	(4,827,269)	(4,590,997)	-
	3,820,627	926,577	1,147,414	1,260,769	-

Helical Dynamics, Inc.
Case # 04-31444
United States Trustee
Monthly Operating Report
Statement of Income

	3rd Quarter				
	Month 1 of Quarter 7/31/2004	Month 2 of Quarter 8/31/2004	Month 3 of Quarter 9/30/2004	Quarter Total 9/30/2004	Y.T.D. 8 Months 8/31/2004
Sales:	323,265	778,740		1,102,005	2,347,145
Returns & allowances				-	-
Freight				-	(2,209)
Net sales	323,265	778,740	-	1,102,005	2,344,936
Material	119,205	115,497		234,702	776,820
Labor and benefits	51,848	73,312		125,160	437,136
Sub-Contractors	51,804	166,758		218,562	465,087
Freight	4,324	6,600		10,924	25,160
Rent and utilities	32,004	38,844		70,848	265,319
Equipment rental	14,352	14,352		28,704	133,335
Depreciation	12,382	12,382		24,764	99,056
Other	22			22	6,427
	285,941	427,745	-	713,686	2,208,340
Gross profit	37,324	350,995	-	388,319	136,596
	12%	45%	#DIV/0!	35%	6%
Operating expenses:					
Officer / Insider compensation	9,231	9,231		18,462	65,010
Other	17,294	15,388		32,682	202,161
	26,525	24,619	-	51,144	267,171
Operating income	10,799	326,376	-	337,175	(130,575)
Other Income (Expense):					
Scrap Steel				-	7,409
Interest	(69,972)	(84,622)		(154,594)	(458,429)
Pre-filing adjustments	-			-	5,258
Loss on lease default				-	(620,599)
	(69,972)	(84,622)	-	(154,594)	(1,066,361)
Reorganization expenses:					
Professional fees	32,195	5,480		37,675	82,036
U.S. Trustee fees	3,750			3,750	5,000
	35,945	5,480	-	41,425	87,036
Net income (loss)	(95,118)	236,274	-	141,156	(1,283,972)

Helical Dynamics, Inc.
Case # 04-31444
United States Trustee
Monthly Operating Report
Statement of Cash Flows

	3rd Quarter				
	Month 1 of Quarter 7/31/2004	Month 2 of Quarter 8/31/2004	Month 3 of Quarter 9/30/2004	Quarter Total 9/30/2004	Y.T.D. 8 Months 8/31/2004
Operating Activities					
Net income	(95,118)	236,274		141,156	(1,283,972)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation	13,238	13,238		26,476	105,904
Amortization	717	717		1,434	5,736
Changes in current assets and liabilities:					
Accounts receivable	264,322	(149,897)		114,425	(697,311)
Inventories	-	-		-	-
Prepaid expenses	(1,091)	(22,144)		(23,235)	(26,888)
Post petition liablilities:					
Accounts payable	144,980	76,265		221,245	301,087
Accrued salary	(1,705)	11,391		9,686	18,009
Accrued payroll taxes	(231)	2		(229)	133
Accrued IRA contributions	(730)	(965)		(1,695)	(4,209)
Accrued expenses	(75,000)	(164,000)		(239,000)	-
Other	-	-		-	92
Note accounts receivable factored	(19,815)	-		(19,815)	-
Note purchase order financing	(183,892)	(35,479)		(219,371)	1,077,528
Pre - petition liabilities:					
Notes payable	(4,300)	(4,300)		(8,600)	(21,500)
Note accounts receivable factored	-	-		-	(132,070)
Note purchase order financing	(7,464)	-		(7,464)	-
Capitalized equipment leases	-	(2,333)		(2,333)	142,634
Federal payroll taxes	(3,500)	(3,500)		(7,000)	(27,717)
State payroll taxes	-	-		-	(8,300)
Accrued payroll	-	-		-	(18,447)
Accrued IRA contributions	-	-		-	(31,841)
Accrued payroll taxes	-	-		-	(2,285)
Accrued franchise tax	-	-		-	-
Accounts payable	-	-		-	473,865
Accrued interest	-	-		-	50,000
Shareholder notes	-	-		-	179
Accrued insurance	-	-		-	(173)
Net cash provided (used) in operating activities	30,411	(44,731)	-	(14,320)	(79,546)
Investing Activities					
(Purchases) disposal of property and equipment	-	-		-	70,981
Net cash used in investing activities	-	-	-	-	70,981
Financing Activities					
Security deposits	-	-		-	(5,578)
Net cash used in financing activities	-	-	-	-	(5,578)
Increase (decrease) in cash	30,411	(44,731)	-	(14,320)	(14,143)
Cash					
Beginning	12,583	42,994		12,583	12,406
Ending	42,994	(1,737)	-	(1,737)	(1,737)

EXHIBIT B

LIQUIDATION ANALYSIS
8/31/04

	Current Book Value	Liquidation Value
Cash	**$ 3,000.00**	**$ 3,000.00**[1]
Accounts Receivable	**$ 809,000.00**	**$ 647,200.00**[1]
Deposits	**$ 10,500.00**	**$ 0.00**[2]
Inventory	**$ 115,000.00**	**$ 23,000.00**[3]
Patents	**$ 92,000.00**	**$ 0.00**[4]
Equipment	**$ 197,000.00**	**$ 800,000.00**[5]
Total	**$1,226,500.00**	**$1,473,200.00**[6]

[1]All Cash and Accounts Receivable of the Debtor are pledged to Expert Financial Services, Inc. and the Small Business Administration. The Secured Creditors Claims total in excess of $1,800,000.00 and no proceeds would be available for Unsecured Creditors from the liquidation of the Accounts Receivable, which for liquidation purposes are valued at 80% of book value.

[2]The deposit has been made by the Debtor to its Landlord. In the event of liquidation, the Landlord would retain the deposit and none of the deposit would be available to Unsecured Creditors.

[3]All inventory of the Debtor is pledged to the Small Business Administration. The Secured Creditors Claims total in excess of $870,000.00 and no proceeds would be available for Unsecured Creditors from the liquidation of the inventory, which for liquidation purposes is valued at 20% of book value.

[4]Patents of the Debtor are subject to Secured Claims in favor of the Small Business Administration. The Debtor does not believe that proceeds would be available for Unsecured Creditors in the event the patents were liquidated.

[5]All equipment are pledged to the Small Business Administration and GCI Capital Services Corporation. The Claims exceed 1.2 million dollars. The Debtor does not believe that any proceeds would be available for Unsecured Creditors in the event the equipment was liquidated.

[6]The Debtor states that all assets are subject to one or more security interests or liens and that liquidation of the Debtor's assets would not result in full payment to Secured Creditors. Therefore, Debtor believes Unsecured Creditors would receive zero (0) in liquidation.

EXHIBIT C

Helical Dynamics, Inc.
3600 Holly Lane North Ste. 10
Plymouth, MN 55447

Statement Of Assets Liabilities And Equity
Income Tax Basis
December 31, 2003

ASSETS

Current Assets			
Checking-Marquette	$ 12,406.49		
Accounts Receivable	34,886.64		
A/R-Factoring Reserve	77,750.59		
Inventory-263A	14,997.00		
Inventory-Material	4,568.01		
Inventory-Hardware	2,500.00		
Inventory-Purchased Items	40,426.73		
Inventory-Fabricated Pts	26,747.19		
Inventory-Assembly	26,505.39		
Security Deposit	10,500.00		
Prepaid Lease	935.60		
Total Current Assets			252,223.64
Fixed Assets			
Equipment-Production	1,847,601.31		
Less: Accum. Depreciation	(1,563,539.00)		
Equipment-Office	416,387.44		
Less: Accum. Depreciation	(397,113.00)		
Vehicles	47,052.74		
Less: Accum. Depreciation	(47,052.00)		
Remodeling	83,046.42		
Less: Accum. Depreciation	(12,065.00)		
Total Fixed Assets			374,318.91
Intangible Assets			
Patents/Trademarks	374,444.00		
Less: Accum. Amortization	(276,163.00)		
Total Intangible Assets			98,281.00
Other Assets			
Officer's Life Insurance	334,598.00		
Less:Loan	(331,664.00)		
Total Other Assets			2,934.00
Total Assets		$	727,757.55

See Accountant's Compilation Report

Helical Dynamics, Inc.
3600 Holly Lane North Ste. 10
Plymouth, MN 55447

Statement Of Assets Liabilities And Equity
Income Tax Basis
December 31, 2003

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts Payable	$ 600,601.08	
Loan-American Express	21,364.81	
Federal Payroll Taxes Due	205,649.06	
Fica W/H Tax Payable	2,310.61	
Fed. W/H Tax Payable	3,024.00	
State W/H Tax Payable	1,196.85	
Simple Withholding	31,841.41	
State Payroll & Use Tax Due	14,489.58	
Accrued Empl. Tax-Fica	2,431.74	
Accrued Empl. Tax-Fed. UC	60.39	
Accrued Empl. Tax-State UC	127.22	
Accrued Insurance	173.00	
Accrued Interest	60,000.00	
Accrued Salary	18,447.00	
Accrued Franchise Tax	1,000.00	
N/P-Expert Leasing	132,070.26	
Long-Term Liabilities	444,800.00	
Total Current Liabilities		1,539,587.01
Long-Term Liabilities		
N/P-U.S. SBA	870,600.00	
Lease Payable-GCI	1,098,239.34	
Lease Payable-Citicorp	20,924.56	
Loan-Mike Diachuk	20,069.80	
Loan-Ann Diachuk	41,461.26	
Loan-Walt Diachuk	888,700.56	
Less:Current Portion	(444,800.00)	
Total Long-Term Liabilities		2,495,195.52
Total Liabilities		4,034,782.53

See Accountant's Compilation Report

Helical Dynamics, Inc.
3600 Holly Lane North Ste. 10
Plymouth, MN 55447

Statement Of Assets Liabilities And Equity
Income Tax Basis
December 31, 2003

Stockholders' Equity		
Capital Stock		
Common Stock - 1.00 Par		
500,000 Shares Authorized		
1,000 Shares Issued		
And Outstanding	1,000.00	
Total Contributed Capital		1,000.00
Retained Earnings		
December 31, 2003	(291,322.47)	
Accumulated Adj. Acct	(2,175,285.89)	
Net Income	(841,416.62)	
Total Retained Earnings		(3,308,024.98)
Total Liabilities And Stockholders' Equity		$ 727,757.55

See Accountant's Compilation Report

Income Statement

Years 1 - 5

Helical Dynamics, Inc.

16-Sep-04

Sales	Year 1	% of Total Sales	Year 2	% of Total Sales	Year 3	% of Total Sales	Year 4	% of Total Sales	Year 5	% of Total Sales
Trenton Block	$261,000	4.1%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
Trenton Crank	$245,000	3.9%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
GM FWD Warran	$2,900,000	45.8%	$1,299,000	17.8%	$0	0.0%	$0	0.0%	$0	0.0%
Hyundai	$1,892,000	29.9%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
Sales	$120,000	1.9%	$6,000,000	82.2%	$7,949,895	100.0%	$9,937,369	100.0%	$12,421,711	100.0%
Daimler Chrysler	$914,000	14.4%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
Total Sales	**$6,332,000**	**100.0%**	**$7,299,000**	**100.0%**	**$7,949,895**	**100.0%**	**$9,937,369**	**100.0%**	**$12,421,711**	**100.0%**
Cost of Goods Sold										
Material	$1,783,460	28.2%	$2,408,670	33.0%	$2,623,466	33.0%	$3,279,332	33.0%	$4,099,165	33.0%
Sub-contractors & Temp. Labo	$1,048,480	16.6%	$145,980	2.0%	$158,998	2.0%	$198,747	2.0%	$248,434	2.0%
Total Variable COGS	**$2,831,940**	**44.7%**	**$2,554,650**	**35.0%**	**$2,782,464**	**35.0%**	**$3,478,079**	**35.0%**	**$4,347,599**	**35.0%**
Total Fixed Cost of Goods So	**$996,336**	**15.7%**	**$1,207,980**	**16.5%**	**$1,285,960**	**16.2%**	**$1,498,455**	**15.1%**	**$1,762,011**	**14.2%**
Total Cost of Goods Sold	**$3,828,276**	**60.5%**	**$3,762,630**	**51.5%**	**$4,068,424**	**51.2%**	**$4,976,534**	**50.1%**	**$6,109,610**	**49.2%**
Gross Profit	**$2,503,724**	**39.5%**	**$3,536,370**	**48.5%**	**$3,881,471**	**48.8%**	**$4,960,835**	**49.9%**	**$6,312,101**	**50.8%**
Operating Expenses										
Sales & Marketing	$68,160	1.1%	$74,976	1.0%	$82,472	1.0%	$90,721	0.9%	$99,793	0.8%
Research & Development	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
G & A (without Depreciation)	$432,308	6.8%	$453,540	6.2%	$498,896	6.3%	$548,783	5.5%	$603,662	4.9%
Depreciation	$197,688	3.1%	$120,200	1.6%	$0	0.0%	$0	0.0%	$0	0.0%
Total Operating Expenses	**$698,156**	**11.0%**	**$648,716**	**8.9%**	**$581,368**	**7.3%**	**$639,504**	**6.4%**	**$703,455**	**5.7%**
Income From Operations	**$1,805,568**	**28.5%**	**$2,887,654**	**39.6%**	**$3,300,103**	**41.5%**	**$4,321,331**	**43.5%**	**$5,608,646**	**45.2%**
Other Income	$289,573	4.6%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
Interest Expense	$866,886	13.7%	$386,396	5.3%	$366,588	4.6%	$343,095	3.5%	$297,779	2.4%
Income before Taxes	**$1,228,255**	**19.4%**	**$2,501,258**	**34.3%**	**$2,933,515**	**36.9%**	**$3,978,236**	**40.0%**	**$5,310,867**	**42.8%**
Taxes on Income	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%
Net Income After Taxes	**$1,228,255**	**19.4%**	**$2,501,258**	**34.3%**	**$2,933,515**	**36.9%**	**$3,978,236**	**40.0%**	**$5,310,867**	**42.8%**

EXHIBIT 7