

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In Re:

BKY CASE No. 10-42136

Boeser, Inc., Debtor.

DEBTOR'S DISCLOSURE STATEMENT

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INTRODUCTION

Boeser, Inc. ("Debtor") filed a case pursuant to Chapter 11 of the United States Bankruptcy Code on March 26, 2010. 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. Debtor is protected by the automatic stay provisions of § 362 of the Bankruptcy Code while it attempts to present a plan of reorganization to its creditors.

Debtor's Disclosure Statement is furnished pursuant to § 1125 of the Bankruptcy Code and is intended to provide all persons known to have claims against 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.

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

A. Organization and Operation.

The debtor was incorporated in 1979 by Larry Boeser. The debtor purchased and then moved into its current location, 2901 SE Fourth Street, Minneapolis, in 1990. The building is 3 blocks east of the University of Minnesota TCF stadium. It is a 91,000 square foot building. This is the debtor's sole location of operation.

The debtor has and continues to manufacture and supply heating, cooling, ventilation parts, equipment and supplies to commercial and residential building contractors.

Larry Boeser started the company and still owns 100% of the outstanding shares of the company. He manages the company with Scott T. Boeser, his son, who is the corporate secretary and Alex De Veyra, the debtor's comptroller.

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

The debtor has been financially successful since it started in business in 1979. It has shown a profit every year since its creation, until 2007. In 2007 Boeser wrote off some substantial accounts receivables it determined not to be collectable because the account debtors closed down their businesses.

In 2007 the debtor expanded its commercial division. The company went to having approximately 55% of its work in the residential area and 45% in the commercial area.

Without diversifying its customer base to commercial work it would have ceased operations, since the residential area evaporated. The cost of diversifying came mostly in having to purchase new equipment that could manufacture commercial parts.

Anchor Bank has been financing Boeser for 5 years. It is Boeser's major lender. In 2008, Anchor Bank added 4.5% additional interest to the loans with Boeser, due to a breach in one of the loan documents.

Boeser then sought financing with First Business Capital, an asset based lender. There were certain restrictions placed on the loan between Boeser and FBCC resulting in additional and higher rate of interest for the borrowed funds. FBCC changed its interest rate to 22%. It then sought to charge \$1,000.00 per day on a loan amount of \$800,000.00.

The debtor's assets exceed its liabilities. The problem is that lenders do not want to be

in the lending business with residential and commercial builders and their suppliers--Boeser. Government auditors have frowned upon loans with builders and builders' suppliers. This has motivated lenders in withdrawing from lending relationships with this group of borrowers.

Boeser has never missed a payment to any lender and was less than 60 days to most all of its unsecured creditors. The additional interest rates being charged by its lenders caused it to have to file chapter 11.

C. Operations During Chapter 11

1. Description of Business Operations

The Debtor has operated continuously since the filing of the Chapter 11 case. Attached to the Disclosure Statement, as **Exhibit A**, is a summary of the Debtor's operations. Attached, as **Exhibit B**, is its liquidation analysis. Attached, as **Exhibit C**, is its projections for 2010 and 2011.

The Debtor has entered into a real estate agreement with the Metropolitan Council resulting in the Debtor selling approximately 8,000 square feet of its 110,000 square foot building to the Metropolitan Council for \$1,124,000.00. The Debtor is seeking court approval for the sale. The monies will be used to pay Anchor Bank the debt it is owed and to obtain a release of its mortgage on that part of the land and building being sold. The sale is to close by August 31, 2010.

The Debtor has entered into a stipulation regarding payments due Wells Fargo. It is being filed for approval with the court. The payment will be \$4,820.00 per month. It is subject to review and approval by the court.

2. Retention of Professionals:

The Debtor has retained Joseph A. Wentzell as Debtor's bankruptcy counsel. Tim Condoluci has been retained as accountant and David Stokes as real estate broker. There has been no counsel retained by the Committee of Unsecured Creditors

3. The Debtor is pursuing a plan of reorganization to continue operations subsequent to court approval of its Plan. Plan payments to creditors will come from ongoing operations.

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 and the Debtor's intention to pay all unsecured creditors 100% of their claim.

B. Claims Against Insiders.

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

C. Compensation of Officers

The current Officers of the Debtor Larry Boeser's current annual compensation is \$108,000.00 per year. The Debtor will be managed by Larry Boeser following confirmation of the Debtor's Plan of Reorganization.

D. Objections to Claims Against Debtor

The claim filing bar date for creditors other than governmental units is October 1, 2010. The claim filing bar date for governmental units is January 1, 2011. The debtor anticipates asserting very few claim objections.

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 Secured Claim – Anchor Bank: Real Estate \$1,200,0000.00

This class consists of the allowed secured claim of Anchor Bank which the debtor gave a promissory note to dated June 7, 2005, known as loan number 90905. The debtor granted a mortgage to Anchor Bank on June 7, 200 which was recorded on June 14, 2004 as Document No. 4124218 in the Hennepin County Registrar of Titles and Document Number 8598695 in the Hennepin County Recorder's office on the land located at 2901 4th Street SE, Minneapolis, Minnesota. The amount of the loan as of June 1, 2010 is \$1,198,833.39.

The debtor shall pay Anchor Bank \$600,000.00 from the sale of part of the Boeser building. The debtor will pay Anchor the balance of \$600,000.00 over the next 20 years in monthly installments of \$4298.00 commencing October 1, 2010. The full amount of the loan will come due on September 30, 2013. If the debtor fails to pay the amount due then an additional amount due of \$114,000.00 shall be due. The loan shall carry an interest rate of 6%. Anchor shall retain its mortgage. The debtor shall be responsible for adhering to all terms and conditions of the mortgage through the term of the loan.

2. Class B Secured Claim – Anchor Bank: Equipment \$74,000.00.

This class consists of the allowed secured claim of Anchor Bank known as loan number 90904, which reflects the original first equipment note of \$468,000.00 dated January 4, 2005. The debtor granted a purchase money security interest to Anchor Bank on January 4, 2005. The debtor also gave a mortgage on the 2901 4th Street SE, Minneapolis property dated July 1, 2008 and was recorded on August 7, 2008 as Document No 4519949 in the office of the Hennepin county Registrar of Titles. The amount of the loan as of June 1, 2010 is \$63,868.08. The debtor's intention is to pay this debt in full on September 1, 2010 from the sale of 20% of the debtor's building.

3. Class C Secured Claim – Anchor Bank: Equipment \$32,000.00.

This class consists of the allowed secured claim of Anchor Bank known as loan number 90906 which was originally for \$180,000.00 dated December 7, 2005 and was known as the second equipment note. The debtor granted a security interest to Anchor Bank on December 7, 2005 in a Commercial Security Agreement and a mortgage dated July 1, 2008 that was recorded on August 7, 2008 as document number 9177032. The amount of the loan as of June 1, 2010 is \$28,054.74. The debtor's intention is to pay this debt in full on September 1, 2010 from the sale of debtor's building.

4. Class D – Secured Claim - Small Business Association \$881,000.

This class consists of the allowed secured claim of SBA thru Anchor Bank known as loan number 90902 which was memorialize in a note for \$2,000.000 dated June 15, 2004. The debtor granted a mortgage and a commercial security agreement to SBA thru Anchor Bank on June 15, 2004. The security agreement was for inventory, equipment, accounts, general intangibles and the mortgage was on the 2901 4th Street SE, Minneapolis property. The UCC-1 was filed and the mortgage was recorded n July 27, 2004 as Document number 3981831.

The amount of the loan as of June 1, 2010 is \$878,043.49. The debtor will pay down the obligation of \$300,000.00 on September 1, 2010 from the sale of part of the building. The debtor will pay SBA the \$600,000.00 over the next 20 years in monthly installments of \$4,298.00 commencing October 1, 2010. The full amount of the loan will come due on September 30, 2013. The loan shall carry an interest rate of 6%. Anchor shall retain its mortgage. The debtor shall be responsible for adhering to all terms and conditions of the mortgage through the term of the loan.

5. Class E – Secured Claim of Wells Fargo of \$64,690.46.

This Class consists of the Allowed Secured Claim of Wells Fargo Equipment Finance, Inc., who is owed approximately \$64,690.46. The debtor commenced making payments

pursuant to a post petition stipulation of \$4,820.00 per month. Wells Fargo will retain its lien rights as they were prior to filing.

6. Class F – Secured Claim of Catholic Aid Association of \$95,000.00.

This Class consists of the Secured Claim of Catholic Aid Association. Debtor purchased insurance from Catholic Aid Association and then borrowed \$95,000.00. The debtor paid interest only and will continue to do the same on the obligation. The interest only is based on 5% interest. Catholic Aid Association shall retain its lien rights.

7. Class G – Secured Claim of First Business Capital Corporation.

This Class consists of the Secured Claim of First Business Capital who has a first secured lien position on the accounts receivables and inventory pursuant to a Loan and Security Agreement dated June 7, 2007 and a second lien position on the debtor's equipment which was perfected by filing a UCC-1 financing statement in the Office of the Minnesota Secretary of State under filing No. 200716968371. FBCC has a third mortgage recorded in the Hennepin County Registrar of Titles on July 30, 2007 as Document N. 4410654.

Since the approval of the cash collateral motion on April 5, 2010 FBCC has been receiving payments of \$45,000.00 per month from the debtor. FBCC shall be paid \$800,000.00. The payment of the debt will be in the form of a promissory note with a rate of interest of 8% per annum payable over 10 years with the first payment due September 1, 2010. The monthly payments will be \$9,706.21. The loan will be paid in full on October 1, 2013. With the payment of said monies FBCC shall retain its security interest and mortgage as it currently stands.

8. Class H – Secured Claim of Chase Auto Lending of \$13,625.00.

This Class consists of the Secured Claim held by Chase Auto Lending who is owed approximately \$13,625.00. Chase has a first lien on the debtor's Jetta TDI. The debtor makes monthly payments of \$542.00 and has approximately 28 more monthly payments. Chase shall retain its first lien position on the Jetta TDI.

9. Class I - Unsecured Claims.

This Class consists of the Claims of Debtor's Unsecured Creditors. The debtor estimates that the total claims in this Class I equals the sum of approximately \$450,000.00. Certain Claims in this Class are disputed by the debtor who intends to file Claim Objections. The Plan proposal is to pay Unsecured Creditors in this Class as follows:

- (1) The debtor will pay \$6,000.00 per month for 60 months to the allowed unsecured claimants. The first payment will be due on December 1, 2010.

- (2) As an administrative convenience claim, the debtor will pay any allowed unsecured claimant up to 50% of its claim, up to \$1,000.00, on January 1, 2011. Said claimant must elect to have its claim treated as such by noting the same on the ballot accounting this plan. If said claimant elects to be treated as an administrative convenience claim then they waive all rights to payment under section 1.
- (3) The payments described in this section will be in full, complete and total settlement of the claims of unsecured creditors of this Class I.

10. Class J - Shareholder Interests.

This Class consists of the shareholder interests in the debtor. The shareholder of the Debtor is Larry Boeser. Boeser shall retain his ownership interest in the debtor.

B. Classes of Claims Impaired Under the Plan

Classes A, B, C, D, E, F, G, H, I, and J are unimpaired under this Plan because each creditor is being paid 100% of its allowed claim.

Treatment of Certain Priority Claims Allowed Claims that are not classified shall be treated as follows:

- a. Allowed Administrative Expenses, 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 \$25,000.00.
- 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.
- 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. The debtor has assumed, pursuant to bankruptcy Court approval, its Lease Agreement with ADC Leasing. The debtor

has assumed other executory contracts with equipment lessors pursuant to Motions filed in the Bankruptcy Court and approved by the Bankruptcy Court. All other Executory Contracts not specifically described in this Plan are to be deemed rejected on the Effective Date.

- 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. Debtor believes no unpaid claims in this category are outstanding or exist.
- 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.

C. Other Provisions

- 1. 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.
- 2. 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.
- 3. 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.
- 4. 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).
- 5. Debtor reserves and retains the right after confirmation to pursue any claims against third parties, including preference and fraudulent transfers.
- 6. Debtor shall have the right to prepay any obligation under this Plan without penalty.
- 7. The debtor is pursuing a Plan to continue its business operations subsequent to approval of this Plan of Reorganization. The debtor anticipates no adverse tax consequences as a result of the Court confirming the Plan of Reorganization.

V.

COMMITTEE OF UNSECURED CREDITORS

The United States Trustee has not appointed a Committee of Unsecured Creditors because there was no interest in one.

VI. 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.

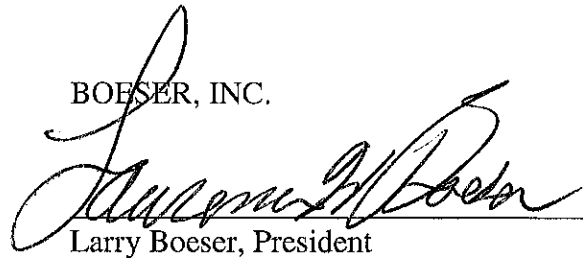
As a creditor, your vote is important. The Plan can be confirmed by the Bankruptcy Court if it is accepted by the holders of two-thirds in amount and more than one-half in number of the claims in each impaired class voting on the Plan. In the event that one or more classes reject the Plan, the Bankruptcy 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; or (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.

CONCLUSION

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.

Dated: June 15, 2010

BOESER, INC.

A handwritten signature in cursive script, appearing to read "Larry Boeser", is written over a horizontal line.

Larry Boeser, President

Dated: July 6, 2010

WENTZELL LAW OFFICE, PLLC

A handwritten signature in black ink, reading "Joseph A. Wentzell". The signature is written in a cursive style with a large, stylized 'J' and 'W'.

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