

***The Keller Manufacturing
Company, Inc.***

*Unaudited Financial Statements for the three months ended
March 31, 2006 and 2005.*

THE KELLER MANUFACTURING COMPANY, INC.

BALANCE SHEETS

MARCH 31, 2006 AND 2005 AND DECEMBER 31, 2005

	<u>MARCH 31,</u> <u>2006</u>	<u>MARCH 31,</u> <u>2005</u>	<u>DECEMBER 31,</u> <u>2005</u>
	(Unaudited)		
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 63,154	\$ 974,257	\$ 1,395,307
Accounts receivable, less allowance for doubtful accounts of \$0 at March 31, 2006, \$173,000 at March 31, 2005 and \$0 at December 31, 2005	-	504,875	-
Inventories	-	790,420	-
Other current assets	-	-	21,698
Total Current Assets	63,154	2,269,552	1,417,005
PROPERTY, PLANT AND EQUIPMENT - net	2,722	5,572	4,222
OTHER ASSETS			
Investment in Paragon Door Designs, Inc. **	1,114,924	-	-
TOTAL ASSETS	\$ 1,180,800	\$ 2,275,124	\$ 1,421,227
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 5,750	\$ 59,986	\$ 29,076
Accrued commissions, salaries & withholdings	-	25,580	-
Allowance for sales returns	-	70,000	-
Accrued health, life & workers compensation insurance	-	23,524	-
Other current liabilities	10,000	12,286	16,585
Total Current Liabilities	15,750	191,376	45,661
LONG-TERM LIABILITIES:			
Accrued pension liability	3,957,368	3,881,320	3,957,368
Total Long-Term Liabilities	3,957,368	3,881,320	3,957,368
TOTAL LIABILITIES	3,973,118	4,072,696	4,003,029
STOCKHOLDERS' EQUITY (DEFICIT):			
Common stock - no par value, authorized 40,000,000 shares, issued and outstanding 4,870,224 at March 31, 2006 and 2005, and at December 31, 2005	439,523	439,523	439,523
Deferred stock compensation	510,519	332,102	510,519
Accumulated other comprehensive loss	(3,407,917)	(3,286,497)	(3,407,917)
Retained earnings (deficit)	(334,443)	717,300	(123,927)
Total Stockholders' Equity (Deficit)	(2,792,318)	(1,797,572)	(2,581,802)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 1,180,800	\$ 2,275,124	\$ 1,421,227

**Keller's 85% equity investment in Paragon Door Designs, Inc. has been recorded using the equity method of accounting. This treatment is a departure from generally accepted accounting principles, which requires consolidation at this level of investment. Keller plans to present consolidated financial statements in the 2006 year end audit report.

THE KELLER MANUFACTURING COMPANY, INC.

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

	THREE MONTHS ENDED MARCH 31,	
	<u>2006</u>	<u>2005</u>
	(Unaudited)	
NET SALES	\$ -	\$ 1,260,754
COST OF GOODS SOLD	-	1,171,496
GROSS PROFIT	-	89,258
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	192,471	536,159
OPERATING LOSS	(192,471)	(446,901)
OTHER INCOME (EXPENSE):		
Interest income	2,165	1,844
Interest expense	-	(29)
Equity in net loss of Paragon Door Designs, Inc. **	(25,076)	-
Other income (expense)	4,866	300,000
Total Other Income (Expense), net	(18,045)	301,815
LOSS BEFORE INCOME TAXES	(210,516)	(145,086)
INCOME TAX PROVISION (BENEFIT)	-	-
NET LOSS	\$ (210,516)	\$ (145,086)

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THE KELLER MANUFACTURING COMPANY, INC.

STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

	THREE MONTHS ENDED	
	MARCH 31,	
	<u>2006</u>	<u>2005</u>
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (210,516)	\$ (145,086)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	1,500	450
Increases (decreases) to inventory reserve	-	(300,000)
Equity in net loss of Paragon Door Designs, Inc. **	25,076	-
Compensation for stock options granted	-	30,711
Changes in Assets and Liabilities:		
Accounts receivable	-	51,280
Inventory	-	1,052,390
Other current assets	21,698	
Accounts payable	(23,326)	(628,474)
Accrued commissions, salaries & withholdings & accrued vacation	-	400
Allowance for sales returns	-	(30,000)
Accrued health, life & workers compensation insurance	-	(31,385)
Other liabilities	(6,585)	(119,763)
Total Adjustments	<u>18,363</u>	<u>25,609</u>
Net Cash Provided By (Used In) Operating Activities	<u>(192,153)</u>	<u>(119,477)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in Paragon Door Designs, Inc.	<u>(1,140,000)</u>	<u>-</u>
Net Cash Provided By (Used In) Investing Activities	<u>(1,140,000)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemptions of common stock	<u>-</u>	<u>-</u>
Net Cash Provided By (Used In) Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,332,153)	(119,477)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,395,307</u>	<u>1,093,734</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 63,154</u></u>	<u><u>\$ 974,257</u></u>

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