

Unaudited Financial Statements

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

March 31, 2008 and December 31, 2007

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	MARCH 31, <u>2008</u> (Unaudited)	DECEMBER 31, <u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 17,924	\$ 12,697
Accounts receivable - net	508,177	634,673
Inventories	596,050	434,887
Prepaid expenses and other assets	89,516	68,523
Deferred Income Taxes	35,000	35,000
Total Current Assets	1,246,667	1,185,780
PROPERTY, PLANT AND EQUIPMENT - net	268,266	196,552
DEFERRED INCOME TAXES	215,000	215,000
Goodwill	703,444	703,444
TOTAL ASSETS	\$ 2,433,377	\$ 2,300,776
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>		
CURRENT LIABILITIES:		
Checks issued in excess of deposits		\$ 79,906
Line of Credit	\$ 295,711	176,010
Accounts payable	308,456	150,917
Accrued expenses	229,729	312,902
Current maturities of notes payable	65,164	28,854
Total Current Liabilities	899,060	748,589
Notes Payable, less current portion	493,273	373,146
TOTAL LIABILITIES	1,392,333	1,121,735
MINORITY INTEREST	-	8,987
STOCKHOLDERS' EQUITY (DEFICIT):		
Common Stock	462,973	462,973
Deferred stock compensation	29,190	29,190
Retained earnings	677,112	1,845,620
Net Income (Loss)	(128,231)	(1,167,729)
Total Stockholders' Equity	1,041,044	1,170,054
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,433,377	\$ 2,300,776

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

**STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2008**

	(Unaudited)
NET SALES	\$ 909,807
COST OF GOODS SOLD	<u>787,597</u>
GROSS PROFIT	122,210
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>335,848</u>
OPERATING LOSS	(213,638)
OTHER INCOME (EXPENSE), NET	<u>76,420</u>
NET INCOME (LOSS) BEFORE MINORITY INTEREST	(137,218)
MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARY	<u>8,987</u>
NET INCOME (LOSS) \$	<u><u>(128,231)</u></u>

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2008

	(Unaudited)
OPERATING ACTIVITIES:	
Net Income (Loss)	\$ (128,231)
Adjustments to reconcile net income (loss) to net cash used in operating activities:	
Depreciation and amortization	12,000
Change in minority interest	(8,987)
Changes in Assets and Liabilities:	
Accounts receivable	126,496
Inventory	(161,163)
Prepaid expenses and other current assets	(20,993)
Checks issued in excess of cash on deposit	(79,906)
Accounts payable	157,539
Accrued expenses	(83,952)
Net Cash Provided By (Used In) Operating Activities	<u>(187,197)</u>
INVESTING ACTIVITIES:	
Purchases of property and equipment	(83,714)
Net Cash Provided By (Used In) Investing Activities	<u>(83,714)</u>
FINANCING ACTIVITIES:	
Net borrowings under bank credit arrangements	276,138
Net Cash Provided By (Used In) Financing Activities	<u>276,138</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,227
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>12,697</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 17,924</u>