

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

*Consolidated Unaudited Financial Statements for the  
three and the six months ended June 30, 2005 and  
2004.*

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2005 AND 2004 AND DECEMBER 31, 2004

	JUNE 30, 2005 (Unaudited)	2004	DECEMBER 31, 2004
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash	\$ 349,799	\$ 1,974,804	\$ 1,093,734
Investments available for sale	1,345,000	250,158	-
Accounts receivable, less allowance for doubtful accounts of \$38,000 at June 30, 2005 , \$860,000 at June 30, 2004 and \$500,000 at December 31, 2004	60,107	1,446,878	556,155
Inventories	282,117	2,309,120	1,542,810
Income taxes refundable	-	7,421	-
Other current assets	-	115,397	-
<b>Total Current Assets</b>	<b>2,037,023</b>	<b>6,103,778</b>	<b>3,192,699</b>
<b>PROPERTY, PLANT AND EQUIPMENT - net</b>	<b>5,122</b>	<b>4,325,874</b>	<b>6,022</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,042,145</b>	<b>\$ 10,429,652</b>	<b>\$ 3,198,721</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 94,039	\$ 1,281,473	\$ 688,460
Accrued commissions, salaries & withholdings	17,676	153,566	25,180
Accrued vacation	-	315,000	-
Allowance for sales returns	50,000	461,189	100,000
Accrued health, life & workers compensation insurance	20,000	599,882	54,909
Accrued property taxes	-	180,000	-
Other current liabilities	13,095	301,733	106,329
<b>Total Current Liabilities</b>	<b>194,810</b>	<b>3,292,843</b>	<b>974,878</b>
<b>LONG-TERM LIABILITIES:</b>			
Accrued pension liability	3,881,320	1,720,415	3,881,320
Other long-term liabilities	-	38,580	25,720
<b>Total Long-Term Liabilities</b>	<b>3,881,320</b>	<b>1,758,995</b>	<b>3,907,040</b>
<b>TOTAL LIABILITIES</b>	<b>4,076,130</b>	<b>5,051,838</b>	<b>4,881,918</b>
<b>STOCKHOLDERS' EQUITY (DEFICIT):</b>			
Common stock - no par value, authorized 40,000,000 shares, issued and outstanding 4,870,224 at June 30, 2005, 4,869,474 at June 30, 2004, and 4,870,224 at December 31, 2004, respectively.	439,523	439,523	439,523
Deferred stock compensation	362,813	171,161	301,391
Accumulated other comprehensive loss	(3,286,497)	(1,655,106)	(3,286,497)
Retained earnings	450,176	6,422,236	862,386
<b>Total Stockholders' Equity (Deficit)</b>	<b>(2,033,985)</b>	<b>5,377,814</b>	<b>(1,683,197)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 2,042,145</b>	<b>\$ 10,429,652</b>	<b>\$ 3,198,721</b>

**THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE AND THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004**

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	<u>2005</u> (Unaudited)	<u>2004</u>	<u>2005</u> (Unaudited)	<u>2004</u>
NET SALES	\$ 535,957	\$ 3,102,867	\$ 1,796,711	\$ 7,243,522
COST OF GOODS SOLD	468,737	5,888,525	1,640,233	10,604,638
<b>GROSS PROFIT (LOSS)</b>	<b>67,220</b>	<b>(2,785,658)</b>	<b>156,478</b>	<b>(3,361,116)</b>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	373,411	1,228,600	909,570	2,766,752
<b>OPERATING LOSS</b>	<b>(306,191)</b>	<b>(4,014,258)</b>	<b>(753,092)</b>	<b>(6,127,868)</b>
<b>OTHER INCOME (EXPENSE):</b>				
Interest income	5,242	21,525	7,086	39,262
Interest expense	(181)	(341)	(210)	(1,071)
Gain on sales of fixed assets	-	4,527	-	545,861
Other income (expense)	34,006	(12,361)	334,006	(19,957)
<b>Total Other Income (Expense), net</b>	<b>39,067</b>	<b>13,350</b>	<b>340,882</b>	<b>564,095</b>
<b>LOSS BEFORE INCOME TAXES</b>	<b>(267,124)</b>	<b>(4,000,908)</b>	<b>(412,210)</b>	<b>(5,563,773)</b>
INCOME TAX PROVISION (BENEFIT)	-	-	-	-
<b>NET LOSS</b>	<b>\$ (267,124)</b>	<b>\$ (4,000,908)</b>	<b>\$ (412,210)</b>	<b>\$ (5,563,773)</b>

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE AND THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(Unaudited)		(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net Loss	\$ (267,124)	\$ (4,000,908)	\$ (412,210)	\$ (5,563,773)
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>				
Depreciation	450	220,000	900	460,000
(Gain) Loss on fixed asset disposals	-	(4,527)	-	(545,861)
Increases (decreases) to inventory reserve	55,994	1,168,936	(244,006)	1,168,936
Compensation for stock options granted	30,711	48,999	61,422	97,998
<b>Changes in Assets and Liabilities:</b>				
Accounts receivable	444,768	364,501	496,048	225,778
Inventory	452,309	1,224,581	1,504,699	1,595,024
Income taxes refundable / payable	-	(5,000)	-	(6,000)
Other current assets	-	(38,488)	-	(20,251)
Prepaid pension costs / accrued pension liability	-	35,000	-	65,000
Accounts payable	34,053	(28,552)	(594,421)	(183,974)
Accrued commissions, salaries & withholdings & accrued vacation	(7,904)	(75,162)	(7,504)	(40,136)
Allowance for sales returns	(20,000)	-	(50,000)	(19,081)
Accrued health, life & workers compensation insurance	(3,524)	(13,232)	(34,909)	37,975
Other liabilities	809	(57,920)	(118,954)	(63,228)
<b>Total Adjustments</b>	<b>987,666</b>	<b>2,839,136</b>	<b>1,013,275</b>	<b>2,772,180</b>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>720,542</b>	<b>(1,161,772)</b>	<b>601,065</b>	<b>(2,791,593)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchases of property, plant & equipment	-	(162,075)	-	(731,435)
Proceeds from sales of property, plant & equipment	-	573,754	-	1,575,971
Purchase of investments available for sale	(1,345,000)	(248,752)	(1,345,000)	(1,745,163)
Proceeds from disposal of investments available for sale	-	2,250,000	-	4,250,000
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(1,345,000)</b>	<b>2,412,927</b>	<b>(1,345,000)</b>	<b>3,349,373</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Redemptions of common stock	-	(1,231,794)	-	(1,231,794)
<b>Net Cash Used In Financing Activities</b>	<b>-</b>	<b>(1,231,794)</b>	<b>-</b>	<b>(1,231,794)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(624,458)</b>	<b>19,361</b>	<b>(743,935)</b>	<b>(674,014)</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	974,257	1,955,443	1,093,734	2,648,818
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 349,799</b>	<b>\$ 1,974,804</b>	<b>\$ 349,799</b>	<b>\$ 1,974,804</b>