

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

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

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

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

	SEPTEMBER 30, <u>2005</u> <u>2004</u>		DECEMBER 31, <u>2004</u>
	(Unaudited)		
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 258,535	\$ 617,662	\$ 1,093,734
Investments available for sale	1,145,000	-	-
Accounts receivable, less allowance for doubtful accounts of \$10,000 at September 30, 2005 , \$798,000 at September 30, 2004 and \$500,000 at December 31, 2004	29,491	973,782	556,155
Inventories	61,621	1,295,921	1,542,810
Income taxes refundable	-	7,421	-
Other current assets	-	46,885	-
Total Current Assets	1,494,647	2,941,671	3,192,699
PROPERTY, PLANT AND EQUIPMENT - net	4,672	1,874,604	6,022
TOTAL ASSETS	<u>\$ 1,499,319</u>	<u>\$ 4,816,275</u>	<u>\$ 3,198,721</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 73,418	\$ 978,467	\$ 688,460
Accrued commissions, salaries & withholdings	-	214,778	25,180
Accrued vacation	-	200,886	-
Allowance for sales returns	25,000	460,931	100,000
Accrued health, life & workers compensation insurance	20,000	666,251	54,909
Accrued property taxes	-	126,913	-
Other current liabilities	16,218	302,836	106,329
Total Current Liabilities	134,636	2,951,062	974,878
LONG-TERM LIABILITIES:			
Accrued pension liability	3,881,320	1,740,415	3,881,320
Other long-term liabilities	-	38,580	25,720
Total Long-Term Liabilities	3,881,320	1,778,995	3,907,040
TOTAL LIABILITIES	4,015,956	4,730,057	4,881,918
STOCKHOLDERS' EQUITY (DEFICIT):			
Common stock - no par value, authorized 40,000,000 shares, issued and outstanding 4,870,224 at September 30, 2005, 4,870,224 at September 30, 2004, and 4,870,224 at December 31, 2004.	439,523	439,523	439,523
Deferred stock compensation	393,524	213,161	301,391
Accumulated other comprehensive loss	(3,286,497)	(1,655,263)	(3,286,497)
Retained earnings	(63,187)	1,088,797	862,386
Total Stockholders' Equity (Deficit)	(2,516,637)	86,218	(1,683,197)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 1,499,319</u>	<u>\$ 4,816,275</u>	<u>\$ 3,198,721</u>

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004**

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(Unaudited)		(Unaudited)	
NET SALES	\$ 239,702	\$ 2,169,907	\$ 2,036,413	\$ 9,413,429
COST OF GOODS SOLD	<u>262,329</u>	<u>4,250,342</u>	<u>1,902,562</u>	<u>14,854,980</u>
GROSS PROFIT (LOSS)	(22,627)	(2,080,435)	133,851	(5,441,551)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>604,938</u>	<u>2,961,025</u>	<u>1,514,508</u>	<u>5,727,777</u>
OPERATING LOSS	(627,565)	(5,041,460)	(1,380,657)	(11,169,328)
OTHER INCOME (EXPENSE):				
Interest income	8,536	7,853	15,622	47,115
Interest expense	(226)	(271)	(436)	(1,342)
Gain (loss) on sales of fixed assets	-	(278,408)	-	267,453
Other income (expense)	<u>105,892</u>	<u>(21,153)</u>	<u>439,898</u>	<u>(41,110)</u>
Total Other Income (Expense), net	<u>114,202</u>	<u>(291,979)</u>	<u>455,084</u>	<u>272,116</u>
LOSS BEFORE INCOME TAXES	(513,363)	(5,333,439)	(925,573)	(10,897,212)
INCOME TAX PROVISION (BENEFIT)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (513,363)</u>	<u>\$ (5,333,439)</u>	<u>\$ (925,573)</u>	<u>\$ (10,897,212)</u>

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(Unaudited)		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Loss	\$ (513,363)	\$ (5,333,439)	\$ (925,573)	\$ (10,897,212)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation	450	125,890	1,350	585,890
(Gain) Loss on fixed asset disposals	-	278,408	-	(267,453)
Increases (decreases) to inventory reserve	(26,000)	2,751,473	(270,006)	3,920,409
Compensation for stock options granted	30,711	42,000	92,133	139,998
Changes in Assets and Liabilities:				
Accounts receivable	30,616	473,096	526,664	698,874
Inventory	246,496	138,553	1,751,195	1,733,577
Income taxes refundable / payable	-	-	-	(6,000)
Other current assets	-	68,512	-	48,261
Prepaid pension costs / accrued pension liability	-	20,000	-	145,422
Accounts payable	(20,621)	(303,006)	(615,042)	(486,980)
Accrued commissions, salaries & withholdings & accrued vacation	(17,676)	61,212	(25,180)	13,092
Allowance for sales returns	(25,000)	(258)	(75,000)	(44,497)
Accrued health, life & workers compensation insurance	-	66,369	(34,909)	(49,843)
Other liabilities	3,123	(166,098)	(115,831)	(102,419)
Total Adjustments	222,099	3,556,151	1,235,374	6,328,331
Net Cash Provided By (Used In) Operating Activities	(291,264)	(1,777,288)	309,801	(4,568,881)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property, plant & equipment	-	(10,625)	-	(742,060)
Proceeds from sales of property, plant & equipment	-	180,770	-	1,756,741
Purchase of investments available for sale	-	-	(1,345,000)	-
Proceeds from disposal of investments available for sale	200,000	250,001	200,000	2,754,838
Net Cash Provided By (Used In) Investing Activities	200,000	420,146	(1,145,000)	3,769,519
CASH FLOWS FROM FINANCING ACTIVITIES:				
Redemptions of common stock	-	-	-	(1,231,794)
Net Cash Used In Financing Activities	-	-	-	(1,231,794)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(91,264)	(1,357,142)	(835,199)	(2,031,156)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	349,799	1,974,804	1,093,734	2,648,818
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 258,535	\$ 617,662	\$ 258,535	\$ 617,662