

The Keller Manufacturing Company, Inc.

*Unaudited Financial Statements for the three and the nine months ended
September 30, 2006 and 2005.*

THE KELLER MANUFACTURING COMPANY, INC.

BALANCE SHEETS

SEPTEMBER 30, 2006 AND 2005 AND DECEMBER 31, 2005

	SEPTEMBER 30, <u>2006</u> <u>2005</u> (Unaudited)		DECEMBER 31, <u>2005</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 36,824	\$ 258,535	\$ 1,395,307
Investments available for sale	-	1,145,000	-
Accounts receivable, less allowance for doubtful accounts of \$0 at September 30, 2006, \$10,000 at September 30, 2005 and \$0 at December 31, 2005	-	29,491	-
Inventories	-	61,621	-
Other current assets	-	-	21,698
Total Current Assets	36,824	1,494,647	1,417,005
PROPERTY, PLANT AND EQUIPMENT - net	-	4,672	4,222
OTHER ASSETS			
Investment in subsidiary **	1,217,817	-	-
TOTAL ASSETS	<u>\$ 1,254,641</u>	<u>\$ 1,499,319</u>	<u>\$ 1,421,227</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 1,518	\$ 73,418	\$ 29,076
Accrued commissions, salaries & withholdings	-	-	-
Allowance for sales returns	-	25,000	-
Accrued health, life & workers compensation insurance	-	20,000	-
Other current liabilities	5,000	16,218	16,585
Total Current Liabilities	6,518	134,636	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	3,963,886	4,015,956	4,003,029
STOCKHOLDERS' EQUITY (DEFICIT):			
Common stock - no par value, authorized 40,000,000 shares, issued and outstanding 4,920,224 at September 30, 2006, 4,870,224 at September 30, 2005 and December 31, 2005.	440,023	439,523	439,523
Deferred stock compensation	510,519	393,524	510,519
Accumulated other comprehensive loss	(3,407,917)	(3,286,497)	(3,407,917)
Retained earnings (deficit)	(251,870)	(63,187)	(123,927)
Total Stockholders' Equity (Deficit)	(2,709,245)	(2,516,637)	(2,581,802)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 1,254,641</u>	<u>\$ 1,499,319</u>	<u>\$ 1,421,227</u>

**Keller's 83.9% 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.

THE KELLER MANUFACTURING COMPANY, INC.

STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	(Unaudited)		(Unaudited)	
NET SALES	\$ -	\$ 239,702	\$ -	\$ 2,036,413
COST OF GOODS SOLD	-	262,329	-	1,902,562
GROSS PROFIT	-	(22,627)	-	133,851
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	25,136	604,938	225,370	1,514,508
OPERATING LOSS	(25,136)	(627,565)	(225,370)	(1,380,657)
OTHER INCOME (EXPENSE):				
Interest income	443	8,536	2,607	15,622
Interest expense	-	(226)	-	(436)
Proportionate share in net income of subsidiary**	30,129	-	77,817	-
Other income (expense)	761	105,892	17,003	439,898
Total Other Income (Expense), net	31,333	114,202	97,427	455,084
INCOME (LOSS) BEFORE INCOME TAXES	6,197	(513,363)	(127,943)	(925,573)
INCOME TAX PROVISION (BENEFIT)	-	-	-	-
NET INCOME (LOSS)	\$ 6,197	\$ (513,363)	\$ (127,943)	\$ (925,573)

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THE KELLER MANUFACTURING COMPANY, INC.

STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Income (Loss)	\$ 6,197	\$ (513,363)	\$ (127,943)	\$ (925,573)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,222	450	4,222	1,350
Increases (decreases) to inventory reserve	-	(26,000)	-	(270,006)
Proportionate share in net (income) of subsidiary**	(30,129)	-	(77,817)	-
Compensation for stock options granted	-	30,711	-	92,133
Changes in Assets and Liabilities:				
Accounts receivable	-	30,616	-	526,664
Inventory	-	246,496	-	1,751,195
Other current assets	-	-	21,698	-
Accounts payable	(2,358)	(20,621)	(27,558)	(615,042)
Accrued commissions, salaries & withholdings & accrued vacation	-	(17,676)	-	(25,180)
Allowance for sales returns	-	(25,000)	-	(75,000)
Accrued health, life & workers compensation insurance	-	-	-	(34,909)
Other liabilities	(5,000)	3,123	(11,585)	(115,831)
Total Adjustments	(36,265)	222,099	(91,040)	1,235,374
Net Cash Provided By (Used In) Operating Activities	(30,068)	(291,264)	(218,983)	309,801
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of investments available for sale	-	-	-	(1,345,000)
Proceeds from disposal of investments available for sale	-	200,000	-	200,000
Investment in subsidiary**	-	-	(1,140,000)	-
Net Cash Provided By (Used In) Investing Activities	-	200,000	(1,140,000)	(1,145,000)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of common stock	-	-	500	-
Net Cash Provided By (Used In) Financing Activities	-	-	500	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(30,068)	(91,264)	(1,358,483)	(835,199)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	66,892	349,799	1,395,307	1,093,734
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 36,824	\$ 258,535	\$ 36,824	\$ 258,535

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