

Filename: keller10q.sif

Type:

Comment/Description:

(this header is not part of the document)

<SUBMISSION-INFORMATION-FILE>

<TYPE>	10-Q	</TYPE>
<CONFIRMING-COPY>	NO	</CONFIRMING-COPY>
<SROS>	NONE	</SROS>
<FILER>		
<FILER-CIK>	0001085209	</FILER-CIK>
<FILER-CCC>	2yxhwr\$ j	</FILER-CCC>
</FILER>		
<SUBMISSION-CONTACT>		
<CONTACT-NAME>		</CONTACT-NAME>
<CONTACT-PHONE>		</CONTACT-PHONE>
</SUBMISSION-CONTACT>		
<NOTIFY-INTERNET>	rogersr@icemiller.com	</NOTIFY-INTERNET>
<RETURN-COPY>	NO	</RETURN-COPY>
<PERIOD>	09-30-2003	</PERIOD>

</SUBMISSION-INFORMATION-FILE>

Filename: keller10q.htm
Type: 10-Q
Comment/Description: Keller Manufacturing - 10-Q
(this header is not part of the document)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended: September 30, 2003.

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from _____ to _____.

Commission File Number: 000-25939

THE KELLER MANUFACTURING COMPANY, INC.

(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction of
incorporation or organization)

35-0435090

(IRS Employer Identification No.)

701 N. Water Street, Corydon, Indiana

(Address of principal executive offices)

47112

(Zip Code)

(812) 738-2222

(Registrant's telephone number,
including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in 12b-2 of the Exchange Act). Yes No

As of November 14, 2003, the registrant had 5,177,400 Common shares, no par value, outstanding.

TABLE OF CONTENTS

	Page	
<u>PART I.</u>		
Item 1.	Financial Statements:	
	Consolidated Balance Sheets as of September 30, 2003, September 30, 2002 and December 31, 2002	3
	Consolidated Statements of Income for the Three Months Ended and the Nine Months ended September 30, 2003 and 2002	4
	Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2003 and 2002	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	10
Item 4.	Controls and Procedures	11
<u>PART II.</u>		
Item 5.	Other Information	11
Item 6.	Exhibits and Reports on Form 8-K	11
	Signatures	12
	CEO Certification	13
	CFO Certification	14
	Index to Exhibits	15

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2003 AND 2002 AND DECEMBER 31, 2002

	September 30,		December 31,
	2003	2002	2002
	(Unaudited)		
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 1,010,074	\$ 4,279,383	\$ 3,172,234
Investments available for sale	3,274,412	---	1,253,437
Accounts receivable, less allowance for doubtful accounts of \$836,000 at September 30, 2003, \$805,000 at September 30, 2002 and \$886,000 at December 31, 2002	3,027,720	4,614,548	3,807,817
Inventories	7,461,092	12,060,807	9,788,948
Deferred tax asset	809,998	769,598	897,451
Income taxes refundable	272,730	932,952	2,301,639
Other current assets	89,584	332,233	182,777
Total Current Assets	15,945,610	22,989,521	21,404,303
PROPERTY, PLANT AND EQUIPMENT - net	4,837,107	9,397,671	8,490,457
OTHER ASSETS:			
Prepaid pension costs	---	1,331,724	---
Net assets available for sale	508,031	---	661,048
Deferred tax asset	86,696	---	---
Total Other Assets	594,727	1,331,724	661,048
TOTAL ASSETS	\$ 21,377,445	\$ 33,718,916	\$ 30,555,808
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 574,931	\$ 604,395	\$ 660,165
Accrued commissions, salaries & withholdings	542,811	577,887	436,889
Accrued vacation	461,848	734,130	547,895
Accrued pension liability	450,647	---	450,647
Allowance for sales returns	380,000	245,000	347,981
Restructuring reserve	---	---	242,299
Accrued health, life & workers comp. insurance	739,536	560,664	816,885
Accrued property taxes	272,803	421,510	279,269
Other current liabilities	227,391	105,112	328,183
Total Current Liabilities	3,649,967	3,248,698	4,110,213
LONG-TERM LIABILITIES:			
Accrued pension liability	1,426,622	---	1,339,255
Deferred income taxes	85,352	1,279,650	241,989
Other long-term liabilities	38,580	---	107,890
Total Long-Term Liabilities	1,550,554	1,279,650	1,689,134
TOTAL LIABILITIES	5,200,521	4,528,348	5,799,347
COMMITMENTS AND CONTINGENCIES	---	---	---

STOCKHOLDERS' EQUITY:Common stock - no par value, authorized 40,000,000 shares, issued
and outstanding 5,177,400 (September 30, 2003), 5,464,111

(September 30, 2002), 5,301,611 (December 31, 2002)

Deferred stock compensation

Accumulated other comprehensive loss

Retained earnings

1,670,207	1,615,396	1,710,350
24,164	---	---
(1,874,914)	---	(1,874,914)
16,357,467	27,575,172	24,921,025

Total Stockholders' Equity

16,176,924	29,190,568	24,756,461
------------	------------	------------

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 21,377,445	\$ 33,718,916	\$ 30,555,808
---------------	---------------	---------------

See notes to the consolidated financial statements

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS AND THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

	THREE MONTHS ENDED SEPTEMBER 30, 2003 (Unaudited)		NINE MONTHS ENDED SEPTEMBER 30, 2003 (Unaudited)	
	2003	2002	2003	2002
NET SALES	\$ 5,014,462	\$ 8,302,862	\$ 17,697,230	\$ 27,845,113
COST OF SALES	5,870,516	7,679,901	18,200,724	25,448,026
GROSS PROFIT (LOSS)	(856,054)	622,961	(503,494)	2,397,087
SELLING, GENERAL AND ADMINISTRATIVE	1,762,538	1,896,322	4,301,482	5,760,295
IMPAIRMENT OF FIXED ASSETS	2,850,129	---	2,850,129	---
OPERATING LOSS	(5,468,721)	(1,273,361)	(7,655,105)	(3,363,208)
OTHER INCOME (EXPENSE):				
Interest income	17,469	12,826	39,470	36,451
Interest expense	(27)	---	(5,377)	(1,515)
Loss on disposal of fixed assets	(391,684)	---	(420,833)	---
Other expense	(85,668)	33,266	(240,987)	100,220
Total Other Income (Expense), net	(459,910)	46,092	(627,727)	135,156
LOSS BEFORE INCOME TAXES	(5,928,632)	(1,227,269)	(8,282,833)	(3,228,052)
INCOME TAX BENEFIT	---	(372,024)	(155,880)	(1,229,811)
NET LOSS	\$ (5,928,632)	\$ (855,245)	\$ (8,126,953)	\$ (1,998,241)
NET LOSS PER SHARE OF COMMON STOCK, BASIC AND DILUTIVE -				
Based on weighted average number of shares outstanding of 5,177,400 and 5,376,611 for the three months ended September 30, 2003 and 2002 respectively; and 5,240,751 and 5,397,065 for the nine months ended September 30, 2003 and 2002 respectively	\$ (1.15)	\$ (0.16)	\$ (1.55)	\$ (0.37)

See notes to the consolidated financial statements

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002**

	NINE MONTHS ENDED SEPTEMBER 30, 2003 2002 (Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	(8,126,953)	\$ (1,998,241)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	838,800	996,300
Loss on fixed asset disposals	420,833	---
Loss from impairment of fixed assets	2,850,129	---
Write down of inventory	336,150	---
Bad debt expense	257,433	90,000
Deferred income taxes	(155,880)	(229,743)
Compensation for stock options granted	24,164	---
Changes in Assets and Liabilities		
Accounts receivable	522,664	773,266
Inventory	1,991,706	1,765,342
Income taxes refundable / payable	2,028,909	643,344
Other current assets	93,193	(174,217)
Prepaid pension costs / accrued pension liability	87,367	443,785
Accounts payable	(85,234)	79,476
Accrued commissions, salaries & withholdings & accrued vacation	19,875	155,191
Allowance for sales returns	32,019	---
Restructuring reserve	(242,299)	---
Accrued health, life & workers compensation insurance	(77,349)	---
Accrued property taxes	(6,466)	---
Other liabilities	(170,102)	92,847
Total Adjustments	8,765,913	4,635,591
Net Cash Provided By Operating Activities	638,959	2,637,350
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments available for sale	(2,020,975)	---
Acquisitions of property, plant & equipment	(303,395)	(343,221)
Net Cash Used In Investing Activities	(2,324,370)	(343,221)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemptions of common stock	(291,752)	(132,958)
Dividends paid	(184,997)	(473,100)
Net Cash Used In Financing Activities	(476,749)	(606,058)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,162,160)	1,688,071
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,172,234	2,591,312
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,010,074	\$ 4,279,383

CASH (PAID) REFUNDED DURING THE YEAR FOR:

Interest \$ (5,377) \$ (1,400)

Income tax refunds \$ 2,028,909 \$ 1,479,000

See notes to the consolidated financial statements

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, SEPTEMBER 30, 2003 AND 2002
AND DECEMBER 31, 2002

Note 1. Basis of Presentation

The interim financial statements are unaudited and reflect all adjustments that, in the opinion of management, are necessary for a fair statement of results for the interim periods presented in conformity with accounting principles generally accepted in the United States of America. This report should be read in conjunction with the audited consolidated financial statements included in the Form 10-K filed by the Company with the Securities and Exchange Commission (“SEC”) for the year ended December 31, 2002. The results of operations for the nine months ended September 30, 2003 are not necessarily indicative of the results to be expected for the full year ending December 31, 2003 or any other interim period.

Note 2. Inventories

The following is a summary of the major classes of inventories:

	September 30, 2003 (Unaudited)	September 30, 2002 (Unaudited)	December 31, 2002
Raw materials	\$ 1,943,585	\$ 3,617,695	\$ 3,122,773
Work-in-process	2,665,857	5,433,259	3,653,633
Finished goods	3,187,800	3,009,853	3,012,542
Less: Obsolescence reserve	(336,150)	---	---
Net inventories	<u>\$ 7,461,092</u>	<u>\$ 12,060,807</u>	<u>\$ 9,788,948</u>

See also footnote 6, Inventory Obsolescence Reserve.

Note 3. Recent Accounting Pronouncements

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (“EITF”) Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” The Company adopted this statement effective January 1, 2003. Management has concluded that the adoption of this statement did not have a material effect on the Company’s financial position or results of operations.

Note 4. Disclosure of Certain Significant Risks and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The Company’s periodic filings with the Securities and Exchange Commission include, where applicable, disclosures of estimates, assumptions, uncertainties and concentrations in products, sources of supply and markets that could affect the consolidated financial statements and future operations of the Company.

Note 5. Income Taxes

The Company follows SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for expected future tax consequences of events that have been recognized in the consolidated financial statements or income tax return.

A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income in the future. Because of the continuous losses through the third quarter of 2003, the Company has provided a valuation allowance for operating loss carryforwards originating in the second and third quarters.

Note 6. Inventory Obsolescence Reserve

During the third quarter of 2003 an inventory obsolescence reserve of \$.3 million was established for slow moving and obsolete inventories. This amount has been reflected on the balance sheet as a reduction to the inventory balance at September 30, 2003, and is included in cost of sales for the three and nine month periods ending September 30, 2003.

Note 7. Impairment of Fixed Assets

The Company performs reviews for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount.

Equipment and improvements with an original cost of \$1.3 million were written off in the third quarter of 2003 as a result of the initial stages of shutting down production at the Company's Corydon, Indiana production facility creating a loss of \$.4 million. Also related to the Corydon plant closing, equipment and improvements with an original cost of \$6.2 million were adjusted to their net realizable values creating an impairment loss of \$2.9 million in the third quarter of 2003. Net realizable values were based on the estimated market values of the assets as of September 30, 2003.

Note 8. Deferred Stock Compensation

In August 2003, the Board approved The Keller Manufacturing Company, Inc. 2003 Stock Option Plan and issuance of 560,000 options on common shares to certain executives at an exercise price less than market value with vesting periods over the next four years. The Company recorded approximately \$24,000 of deferred stock compensation expense with a credit to shareholders' equity during the third quarter. This amount represents the intrinsic value of stock options earned during the quarter. Future vesting is contingent upon continued employment by those executives.

Note 9. Environmental Liabilities

The Company recognizes any environmental cleanup liabilities when a loss is probable and can be reasonably estimated. For closed or closing plants owned by the Company and properties being sold, an estimated liability is typically recognized at the time the closure decision is made or sale is recorded and is based on environmental assessment of the plant property. As of September 30, 2003, the potential costs related to the Corydon, Indiana site and the possible impact thereof on the financial position and results of operations are uncertain due in part to the uncertainty as to the extent of contamination, if any, of the site with hazardous substances, the complexity of Government laws and regulations relating to environmental protection, and the varying costs and effectiveness of alternative cleanup technologies and methods, if required.

Note 10. Subsequent Event.

On November 13, 2003 the Company closed the sale of its Culpeper, Virginia plant, the net book value of which has been reflected on the balance sheet at September 30, 2003 as "net assets available for sale." Gross proceeds from the transaction were \$2.1 million, which resulted in a gain of approximately \$1.6 million to be reflected in the results for the fourth quarter of 2003.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion contains statements that constitute forward looking statements within the meaning of the securities laws. Such statements may include statements regarding the intent, belief or current expectations of The Keller Manufacturing Company, Inc. (the "Company") or its officers with respect to (i) the Company's strategic plans, (ii) the policies of the Company regarding capital expenditures, financing or other matters, and (iii) industry trends affecting the Company's financial condition or results of operations. Readers of this discussion are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those in the forward looking statements as a result of various factors. This section presents an analysis of the consolidated financial condition of the Company as of September 30, 2003, September 30, 2002, and December 31, 2002 and the consolidated results of operations for the three month and nine month periods ended September 30, 2003 and 2002. This discussion should be read in conjunction with the consolidated financial statements and other financial data presented herein and with the financial statements and other financial data as well as the Management's Discussion and Analysis of Financial Condition and Results of Operations included the Company's December 31, 2002 Annual Report to Shareholders.

Critical Accounting Policies and Estimates

The Company's financial statements are prepared in accordance with accounting principles that are generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, as well as the disclosure of contingent assets and liabilities. Management evaluates its estimates and judgments, including those related to revenue recognition, allowances for doubtful accounts, inventory valuation allowances, useful lives of property, plant and equipment, derivative contracts, pension benefits and income taxes. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different conditions or based on different assumptions. The Company believes that the following significant accounting policies are very complex and their application involves a high degree of judgment.

Revenue Recognition. The Company recognizes revenue when title transfers to the customer and all requirements of the sale are complete. The timing of the sale and transfer of ownership depends on the individual customer and is agreed to before order acceptance. Typically, title transfers are completed when product leaves one of the Company's warehouses.

Allowance for Doubtful Accounts. The Company maintains an allowance for doubtful accounts for estimated losses that might result from its customers failing to make required payments. The Company bases its allowances on the likelihood of recovery of accounts receivable based on past experience and current collection trends. If economic or specific industry trends worsen beyond the Company's estimates, the Company would increase its allowance for doubtful accounts by recording additional expense.

Pension Benefits. The amounts recognized in the financial statements related to pension benefits are determined on an actuarial basis, the calculation of which requires many assumptions. A significant assumption used in determining the Company's net pension cost is the expected long-term rate of return on plan assets. Based on input from the Company's actuarial firm, the Company assumed an expected long-term rate of return on plan assets of 7.50% for both fiscal 2002 and 2001. Another significant estimate that affects the Company's pension cost is the discount rate used in the annual actuarial valuation of pension benefit. The discount rate represents the interest rate that is used to determine the present value of future cash flows required to settle the pension obligations. Based on input from the Company's actuarial firm, the Company assumed a discount rate of 6.50% and 7.25% in fiscal 2002 and 2001, respectively.

Income Taxes. The Company records deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax basis of assets and liabilities. If enacted tax rates change, the Company would adjust its deferred tax assets and liabilities through the provision for income taxes. The Company evaluates the need for a valuation allowance of its deferred tax assets based on the likelihood of expected future benefits.

Results of Operations

The following table sets forth, for the periods indicated, consolidated statement of income data as a percentage of net sales.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Sales	117.1%	92.5%	102.9%	91.4%
Gross Profit (Loss)	(17.1%)	7.5%	(2.9%)	8.6%
Selling, General and Administrative	35.1%	22.8%	24.3%	20.7%
Impairment of Fixed Assets	56.9%	*	16.1%	*
Operating Loss	(109.1%)	(15.3%)	(43.3%)	(12.1%)
Other Income (Expense), Net	(9.2%)	*	(3.6%)	*
Loss Before Income Taxes	(118.3%)	(14.8%)	(46.9%)	(11.6%)
Income Tax Benefit	*	(4.5%)	(1.0%)	(4.4%)
Net Loss	(118.3%)	(10.3%)	(45.9%)	(7.2%)

* Less than 1%

Three Months Ended September 30, 2003 Compared to Three Months Ended September 30, 2002

Net Sales. Net Sales decreased by approximately \$3.3 million to approximately \$5.0 million for the third quarter of 2003 compared to approximately \$8.3 million in the third quarter of 2002. The approximate 40% decrease in net sales resulted from the continued weak economy, the elimination of certain products which had been sold in 2002, strong sales of Chinese imports by competitors and the current slow sales of high ticket bedroom and dining room furniture. Backlog of unshipped orders at September 30, 2003 and 2002 was approximately \$1.1 million and \$3.0 million, respectively.

Cost of Sales. Cost of sales as a percentage of net sales increased to 117.1% for the third quarter 2003 from 92.5% for the third quarter 2002. The increase in cost of sales as a percentage of net sales resulted from lower sales volume and the establishment of the inventory obsolescence reserve discussed below. Actual cost of sales was \$5.9 million and \$7.7 million for the third quarter of 2003 and 2002, respectively.

Selling, General and Administrative Expenses (“SG&A”). SG&A expenses decreased by approximately \$0.1 million from approximately \$1.9 million for the third quarter of 2002, to approximately \$1.8 million for the third quarter of 2003. As a percent of net sales, SG&A expenses increased from 22.8% for the third quarter of 2002 to 35.1% for the third quarter of 2003. This increase was primarily due to lower volume of sales for the third quarter of 2003 as compared to the third quarter of 2002.

Obsolescence Reserve Established. During the third quarter of 2003, a reserve for obsolete and slow moving inventory was established resulting in an increase to cost of sales of \$.3 million (Note 6).

Impairment of Fixed Assets. Fixed assets with an original cost of \$1.3 million were written off during the third quarter of 2003 resulting in a loss of \$.4 million. Also during the third quarter of 2003, fixed assets with an original cost of \$6.2 million were adjusted to their net realizable values, resulting in an impairment loss of \$2.9 million. Both of these adjustments are related to the closing of the Corydon, Indiana production facility and are discussed in Note 7.

Net Loss. As a result of the above factors, the Company posted a net loss of approximately \$(6.0) million for the third quarter of 2003 as compared to the (\$.85) million net loss posted in the third quarter of 2002. The net loss per share increased from \$(0.16) to \$(1.15).

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Net Sales. Net sales decreased approximately \$10.1 million to approximately \$17.7 million in the first nine months of 2003 compared to approximately \$27.8 million in the first nine months of 2002. The 36% decrease in net sales resulted from a decrease in orders due to the continued weak economy, the elimination of certain products which had been sold in 2002, strong sales of Chinese imports by competitors and the slow sales of high ticket bedroom and dining room furniture.

Cost of Sales. Cost of sales as a percentage of net sales increased from 91.4% in the first nine months of 2002 to 102.9% in the first nine months of 2003. The increase in cost of sales as a percentage of net sales resulted from lower sales volume and the establishment of the inventory obsolescence reserve discussed below. Cost of sales decreased approximately \$7.2 million from approximately \$25.4 million in the first nine months of 2002 to approximately \$18.2 million in the first nine months of 2003.

Selling, General and Administrative Expenses (“SG&A”). SG&A expenses decreased approximately \$1.5 million from approximately \$5.8 million in the first nine months of 2002 to approximately \$4.3 million in the first nine months of 2003. However, as a percent of net sales, SG&A expenses increased from 20.7% in the first nine months of 2002 to 24.3% in the first nine months of 2003. This increase was primarily the result of the lower sales volume in the first nine months of 2003 as compared to the first nine months of 2002.

Obsolescence Reserve Established. During the third quarter of 2003, a reserve for obsolete and slow moving inventory was established, resulting in an increase to cost of sales of \$.3 million (Note 6).

Impairment of Fixed Assets. Fixed assets with an original cost of \$1.3 million were written off during the third quarter of 2003 resulting in a loss of \$.4 million. Also during the third quarter of 2003, fixed assets with an original cost of \$6.2 million were adjusted to their net realizable values, resulting in an impairment loss of \$2.9 million. Both of these adjustments are related to the closing of the Corydon, Indiana production facility and are discussed in Note 7.

Net Loss. As a result of the above factors, the net loss for the first nine months of 2003 was approximately \$(8.1) million as compared to the \$(2.0) million loss posted in the same period of 2002. The loss per share increased from \$(0.37) to \$(1.55).

Liquidity and Capital Resources

Net working capital decreased from approximately \$19.7 million at September 30, 2002 to approximately \$12.3 million at September 30, 2003. Inventory decreased by approximately \$4.6 million to \$7.5 million at September 30, 2003 from the September 30, 2002 balance of \$12.1 million. This decrease in inventory primarily resulted from management’s decision to operate at reduced inventory levels and from efficiencies related to plant consolidations. Accounts receivable decreased approximately \$1.6 million at September 30, 2003 as compared to September 30, 2002. This decrease in accounts receivable primarily resulted from lower sales volume. Cash and Investments available for sale remained at approximately \$4.3 million at September 30, 2002 and 2003.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

The Company has performed, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness and the design and operation of the Company's disclosure controls and procedures (as defined by Exchange Act rules 13a-15(e) and 15d-15(e)) pursuant to Rule 13a-15(b) of the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2003 in providing reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported with the time periods specified in the rules and forms of the Securities Exchange Commission.

Since the date of the Company's most recent evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, and no corrective actions with regard to significant deficiencies and material weaknesses were taken.

PART II OTHER INFORMATION

Item 5. Other Information

NO QUARTERLY DIVIDEND ISSUED

During the third quarter of 2003 the Company announced that it would not issue a dividend for the second quarter. Any future determination as to the payment of dividends will be made at the discretion of the Board of Directors and will depend on the Company's operating results, financial condition, capital requirements, general business conditions and such other factors as the Board of Directors deems relevant. The Company has no intention of issuing dividends for the foreseeable future.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. See Index to Exhibits

(b) Reports on Form 8-K:

Form 8-K filed August 8, 2003, under item 5, No Quarterly Dividend and New Management Team Announced.

Form 8-K filed August 25, 2003, under item 5, Plant Consolidation Plan Announced.

Form 8-K filed September 9, 2003, under item 5, Planned Sale of Keller Sports Park Announced.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE KELLER MANUFACTURING COMPANY, INC.

/s/ Keith Williams

Dated: November 14, 2003

Keith Williams
President and Chief Executive Officer

/s/ David T. Richardson

Dated: November 14, 2003

David T. Richardson
Chief Financial Officer

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.01	Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.01 to the Company's Amendment No. 2 to its registration statement on Form 10 filed July 23, 1999, File No. 000-25939).
3.02	Articles of Amendment of the Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.02 to the Company's Amendment No. 2 to its registration statement on Form 10, filed July 23, 1999, File No. 000-25939).
3.03	Articles of Amendment of the Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.03 to the Company's Amendment No. 2 to its registration statement on Form 10, filed July 23, 1999, File No. 000-25939).
3.04	Amended and Restated Bylaws of the Company.
4.01	Form of Shareholders Rights Agreement, dated as of December 18, 1998, by and between the Company and J.J.B. Hilliard, W.L. Lyons, Inc. as Rights Agent (incorporated by reference to Exhibit 4.01 to the Company's Amendment No. 2 to its registration statement on Form 10, filed July 23, 1999, File No. 000-25939).
4.02	See Article IV of the Restated Articles of Incorporation of the Company found in Exhibit 3.01 (incorporated by reference to Exhibit 4.02 to the Company's Amendment No. 2 to its registration statement on Form 10, filed July 23, 1999, File No. 000-25939).
4.03	See Article II of the Bylaws of the Company found in Exhibit 3.04 (incorporated by reference to Exhibit 3.04).
10.1	The Keller Manufacturing Company, Inc. 2003 Stock Option Plan dated August 15, 2003.
10.2	IHFC Properties, LLC lease dated November 4, 2003.
10.3	Contract for Purchase and Sale of Real Estate by and between the Company and Structural Systems dated April 16, 2003 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed November 14, 2003).
10.4	Amendment to Contract for Purchase of Real Estate by and between the Company and Structural Systems dated August 14, 2003 (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed November 14, 2003).
10.5	Second Amendment to Contract for Purchase and Sale of Real Estate by and between the Company and Structural Systems dated October 13, 2003 (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed November 14, 2003).

- 10.6 Third Amendment to Contract for Purchase and Sale of Real Estate by and between the Company and Structural Systems dated October 15, 2003 (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed November 14, 2003).
- 10.7 Fourth Amendment to Contract for Purchase and Sale of Real Estate by and between the Company and Structural Systems dated October 20, 2003 (incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K filed November 14, 2003).
- 10.8 Fifth Amendment to Contract for Purchase and Sale of Real Estate by and between the Company and Structural Systems dated October 31, 2003 (incorporated by reference to Exhibit 10.6 to Current Report on Form 8-K filed November 14, 2003).
- 10.9 Agreement Regarding Environmental Matters by and between the Company, the Purchaser and Structural Systems dated November 11, 2003 (incorporated by reference to Exhibit 10.7 to Current Report on Form 8-K filed November 14, 2003).
- 10.10 Environmental Cleanup and Escrow Agreement by and between the Company, Structural Systems, the Purchaser, Bank of America, N.A. and Commercial Title Group, Inc. dated November 11, 2003 (incorporated by reference to Exhibit 10.8 to Current Report on Form 8-K filed November 14, 2003).
- 31.1 Certification of Chief Executive Officer.
- 31.2 Certification of Chief Financial Officer.
- 32.1 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Filename: kellerexhibit304.htm
Type: EX-3.04
Comment/Description: Exhibit 3.04
(this header is not part of the document)

Exhibit 3.04

AMENDED AND RESTATED BYLAWS
OF
THE KELLER MANUFACTURING COMPANY, INC.
AS OF NOVEMBER 14, 2003

ARTICLE I.

Certificates for Shares

Section 1. Certificates. Each holder of shares of the Corporation shall be entitled to a certificate signed (manually or in facsimile) by the President or a Vice President and the Secretary or an Assistant Secretary, setting forth (a) the name of the Corporation and that it was organized under the laws of the State of Indiana, (b) the name of the person to whom issued, (c) the number and class of shares represented, (d) if the Corporation has more than one class of shares or more than one series within a class of shares, a conspicuous statement that the Corporation will furnish to the holder of the certificate, on request in writing and without charge, a summary of the designations, relative rights, preferences, and limitations applicable to each such class of shares, and the variations in rights, preferences, and limitations determined for each series, if any, within a class (and the authority of the Board of Directors to determine variations for future series, if any), and (e) such other information as may be required by law. The form of such certificate shall be prescribed by resolution of the Board of Directors.

Section 2. Lost or Destroyed Certificates. If a certificate of any shareholder is lost or destroyed, a new certificate may be issued to replace such lost or destroyed certificate. Unless waived by the Board of Directors, the shareholder shall make an affidavit or affirmation of the fact that his certificate is lost or destroyed, shall advertise the same in such manner as the Board of Directors may require, and shall give the Corporation a bond of indemnity in the amount and form which the Board of Directors may prescribe.

Section 3. Transfer of Shares. Shares of the Corporation shall be transferable only on the books of the Corporation, subject to any transfer restrictions imposed thereon by the Articles of Incorporation, these Bylaws, or an agreement among shareholders and the Corporation, upon presentation of the certificate representing the same, endorsed by an appropriate person or persons and accompanied by (a) reasonable assurance that those endorsements are genuine and effective, and (b) a request to register such transfer. Transfers of shares shall be otherwise subject to the provisions of the Indiana Business Corporation Law (the "Act") and Article 8 of the Indiana Uniform Commercial Code, Ind. Code Chapter 26-1-8, as amended.

Section 4. Recognition of Shareholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner notwithstanding any equitable or other claim to, or interest in, such shares on the part of any other person.

ARTICLE II.

Meetings of Shareholders

Section 1. Annual Meeting. The annual meeting of the shareholders of the Corporation shall be held on the last Friday in January of each year, or on such other date as may be designated by the Board of Directors.

Section 2. Special Meetings. Special meetings of the shareholders may be called by the Chairman of the Board and Chief Executive Officer or by the Board of Directors. A special shareholders' meeting shall be called upon written demand containing a description of the purpose or purposes thereof and given in accordance with the Act by the holders of at least twenty-five percent (25%) of the votes entitled to be cast on any issue proposed to be considered at such meeting.

Section 3. Notice of Meetings. Written notice stating the date, time and place of any shareholders' meeting and, in the case of special shareholders' meetings or when otherwise required by law, a description of the purpose or purposes for which any such meeting is called, shall be delivered or mailed by the Secretary of the Corporation to each shareholder of record entitled to vote at such meeting, at such address as appears upon the records of the Corporation and at least ten (10), but no more than sixty (60), days before the date of such meeting, on being notified of the date, time and place thereof by the person or persons calling the meeting.

Section 4. Waiver of Notice. A shareholder may waive notice of any meeting, before or after the date and time stated in the notice, if in writing and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. Attendance at any meeting in person or by proxy, (a) waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (b) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

Section 5. Voting Rights. Voting rights of shares of the Corporation are specified in the Articles of Incorporation of the Corporation and the Act.

Section 6. Record Date. The Board of Directors may fix a record date, which may be a future date, for the purpose of determining the shareholders entitled to notice of a shareholders' meeting, to demand a special meeting, to vote, or to take any other action; provided that such record date may not exceed seventy (70) days before the meeting or action requiring a determination of shareholders. In the absence of action by the Board of Directors to fix a record date as herein provided, the record date shall be the fourteenth (14th) day prior to the date of the meeting.

Section 7. Voting by Proxy. A shareholder entitled to vote at any meeting of shareholders may vote either in person or by proxy appointed to vote or otherwise act for the shareholder pursuant to a written appointment form executed by the shareholder or a duly authorized attorney-in-fact of such shareholder. An appointment of a proxy is effective when received by the Secretary or other officer or agent authorized to tabulate votes. The general proxy of a fiduciary shall be given the same effect as the general proxy of any other shareholder.

Section 8. Voting Lists. After a record date for a shareholders' meeting has been fixed, the Secretary shall prepare an alphabetical list of the names of all shareholders entitled to notice of such meeting, arranged by voting group and showing the address and number of shares held by each shareholder. The list shall be kept on file at the principal office of the Corporation or at a place identified in the meeting notice in the city where the meeting will be held, and shall be available for inspection by any shareholder entitled to vote at such meeting at any time during regular business hours, beginning five (5) days before the date of the meeting through the meeting. The list shall also be made available at the meeting.

Section 9. Quorum. At any meeting of shareholders, a majority of the votes entitled to be cast on a matter at such meeting constitutes a quorum, and if a quorum exists, action on a matter is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless a greater number is required by law, the Articles of Incorporation or these Bylaws.

Section 10. Action by Consent. Any action required or permitted to be taken at a shareholders' meeting may be taken without a meeting but with the same effect as a unanimous vote at a meeting, if the action is taken by all the shareholders entitled to vote on the action, and the action is evidenced by one (1) or more written consents describing the action taken, signed by all shareholders entitled to vote on the action, and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. If not otherwise determined pursuant to Section 6 of this Article II, the record date for determining shareholders entitled to take action without a meeting is the date the first shareholder signs the consent to such action.

Section 11. Presence. Any or all shareholders may participate in any annual or special shareholders' meeting by, or through the use of, any means of communication by which all shareholders participating may simultaneously hear each other during the meeting. A shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE III.

Board of Directors

Section 1. Duties and Qualifications. All corporate powers shall be exercised under the authority of the Board of Directors. The directors shall select the officers of the Corporation, and see that these officers manage the affairs of the Corporation to the benefit of, the shareholders and the economic well-being and continuity of the Corporation. Directors shall give counsel, make judgments and oversee the commitment of corporate resources.

Directors need not be residents of the State of Indiana and need not be shareholders of the Corporation.

Section 2. Number and Terms of Office. There shall be nine (9) directors of the Corporation, whose terms shall be staggered by dividing the total number of directors into three (3) groups, each containing one-third (1/3) of the total. At each annual meeting of shareholders, three (3) directors shall be elected for a term of three (3) years to succeed those whose terms expire. Despite the expiration of a director's term, the director continues to serve until a successor is elected and qualifies or until there is a decrease in the number of directors. Directors may be removed in accordance with the Act.

Section 3. Vacancies. If a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of directors, the Board of Directors may fill the vacancy, or, if the directors remaining in office constitute fewer than a quorum of the Board, they may fill the vacancy by the affirmative vote of a majority of all such directors remaining in office.

Section 4. Annual Meeting. Unless otherwise agreed upon, the Board of Directors shall meet immediately following the annual meeting of the shareholders, at the place where such meeting of shareholders was held, for the purpose of election of officers of the Corporation and consideration of any other business which may be brought before the meeting. No notice shall be necessary for the holding of this annual meeting.

Section 5. Other Meetings. Regular meetings of the Board of Directors may be held pursuant to a resolution of the Board to such effect. No notice shall be necessary for any regular meeting. Special meetings of the Board of Directors may be held upon the call of the C.E.O. or of any two (2) members of the Board and upon twenty-four (24) hours' notice specifying the date, time and place of the meeting, which notice may be either oral or written, given to each director in person, by telephone, telegraph, teletype or other form of wire or wireless communication, by first class, certified or registered United States mail, postage prepaid, or by private courier service, fees prepaid or billed to sender. Notice of a special meeting may be waived in writing before the time of the meeting, at the time of the meetings or after the time of the meeting. The waiver must be signed by the director entitled to the notice and filed with the minutes or corporate records. Attendance at or participation in a meeting waives any required notice of such meeting, unless the directors at the beginning of the meeting (or promptly upon the director's arrival) objects to holding the meeting or transaction business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 6. Quorum. A majority of the fixed number of directors elected and qualified, from time to time, shall be necessary to constitute a quorum for the transaction of any business, and if a quorum is present when a vote is taken the affirmative vote of a majority of the directors present is the act of the Board of Directors.

Section 7. Action by Consent. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if the action is taken by all members of the Board. The action must be evidenced by one (1) or more written consents describing the action taken, signed by each director and included in the minutes or filed with the corporate records reflecting the action taken. Action of the Board taken by consent is effective, unless the consent specifies a prior or subsequent effective date, when the last director signs the consent.

Section 8. Committees. The Board of Directors may create one (1) or more committees and appoint members of the Board of Directors to serve on them. Each committee may have one (1) or more members, who shall serve at the pleasure of the Board of Directors. The creation of a committee and appointment of members to it must be approved by the greater of (a) a majority of all the directors in office when the action is taken, or (b) the number of directors required under Section 6 of this Article III to take action. All rules applicable to action by the Board of Directors apply to committees and their members as well. The Board of Directors may specify the authority which a committee may exercise; provided, however, a committee may not (a) authorize distributions, except a committee may authorize or approve a reacquisition of shares if done according to a formula or method prescribed by the Board of Directors, (b) approve or propose to shareholders action that must be approved by shareholders, (c) fill vacancies on the Board of Directors or on any of its committees, (d) amend the Articles of Incorporation, (e) adopt, amend, or repeal bylaws, or (f) approve a plan of merger not requiring shareholder approval.

Section 9. Presence. The Board of Directors may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE IV.

Offices

Section 1. Offices and Qualification Therefor. The officers of the Corporation shall consist of a Chairman of the Board, Chief Executive Officer, a President, Vice Presidents, a Secretary, a Treasurer and such assistant officers as the Board of Directors or the C.E.O. shall designate. The same individual may simultaneously hold more than one (1) office of the Corporation.

Section 2. Terms of Office. Each officer of the Corporation shall be elected annually by the Board of Directors at its annual meeting and shall hold office for a term of one (1) year and until his successor shall be duly elected and qualified.

Section 3. Vacancies. Whenever any vacancies shall occur in any of the offices of the Corporation for any reason, the same may be filled by the Board of Directors at any meeting thereof, and any officer so elected shall hold office until the next annual meeting of the Board of Directors and until his successor shall be duly elected and qualified.

Section 4. Removal. Any officer of the Corporation may be removed, with or without cause, by the Board of Directors at any time.

Section 5. Compensation. Each officer of the Corporation shall receive such compensation for his service in such office as may be fixed by action of the Board of Directors, duly recorded.

ARTICLE V.

Powers and Duties of Officers

Section 1. Chief Executive Officer; Chairman. The Chief Executive Officer of the Corporation shall discharge all of the usual functions of a chief executive of a corporation. Subject to the general control of the Board of Directors, he shall manage and direct the affairs, personnel, strategies and resources of the Corporation. He shall advise and counsel with the President and the other officers of the Corporation. The Chairman of the Board of Directors shall be elected by the Directors and shall preside at all meetings of the Board of Directors and Shareholders of the Corporation.

Section 2. President. The President shall be the Chief Executive Officer of the Corporation, and shall discharge the usual functions of a chief executive officer. He shall direct and manage the responsibility delegated to him by the Board of Directors.

He shall assist the Chairman of the Board of Directors and operate as such in his absence.

The President shall have such other powers and duties as these Bylaws or the Board of Directors may prescribe and authorize. Shares of other corporations owned by this Corporation may be voted by the President or by such proxies as the President shall designate. The President shall have authority to execute, with the Secretary, powers of attorney appointing other corporations, partnerships or individuals as the agents of the Corporation, subject to law, the Articles of Incorporation and these Bylaws.

Section 3. Vice Presidents. The Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or if the absence of any designation, then in the order of their election) shall have all the powers of, and perform all the duties incumbent upon, the President during the President's absence or disability and shall have such other powers and duties as these Bylaws or the Board of Directors may prescribe.

Section 4. Secretary. The Secretary shall (a) attend all meetings of the shareholders and of the Board of Directors, (b) be responsible for preparing a true and complete minutes of the proceedings of such meetings, (c) be responsible for authenticating records of the Corporation, and (d) perform a like duty, when required, for all standing committees appointed by the Board of Directors. If required, the Secretary shall attest the execution by the Corporation of deeds, leases, agreements and other official documents. The Secretary shall attend to the giving and serving of all notices of the Corporation required by these Bylaws, shall custody of the books (except books of account) and records of the Corporation, and in general shall perform all duties pertaining to the office of Secretary and such other duties as these Bylaws or the Board of Directors, may prescribe.

Section 5. Treasurer. The Treasurer shall keep correct and complete records of account, showing accurately at all times the financial condition of the Corporation. The Treasurer shall have charge and custody of, and be responsible for, all funds, notes, securities and other valuables which may from time to time come into the possession of the Corporation. The Treasurer shall deposit, or cause to be deposited, all funds of the Corporation with such depositories as the Board of Directors shall designate. The Treasurer shall furnish at meetings of the Board of Directors, or whenever requested, a statement of the financial condition of the Corporation, and in general shall perform all duties pertaining to the office of Treasurer and such other duties as these Bylaws or the Board of Directors may prescribe.

Section 6. Assistant Officers. The Board of Directors may from time to time designate and elect assistant officers who shall have such powers and duties as the officers whom they are elected to assist shall specify and delegate to them, and such other powers and duties as these Bylaws or the Board of Directors may prescribe. An Assistant Secretary may, in the event of the absence or the disability of the Secretary, attest the execution of all documents by the Corporation.

ARTICLE VI.

Miscellaneous

Section 1. Corporate Seal. The Corporation shall have no seal.

Section 2. Execution of Contracts an Other Documents. Unless otherwise authorized or directed by the Board of Directors, all written contracts and other documents entered into by the Corporation shall be executed on behalf of the Corporation by the President or a Vice President, and, if required, attested by the Secretary or an Assistant Secretary.

Section 3. Accounting Year. The accounting year of the Corporation shall begin on January 1 of each year and end on the December 31 immediately following.

Section 4. Records. The Corporation shall keep as permanent records minutes of all meetings of the shareholders, the Board of Directors, and all committees of the Board of Directors, and a record of all actions taken without a meeting by the shareholders, the Board of Directors, and all committees of the Board of Directors. The Corporation or its agent shall maintain a record of the shareholders in a form that permits preparation of a list of the names and addresses of all shareholders, in alphabetical order showing the number of shares held by each. The Corporation shall maintain its records in written form or in a form capable of conversion into written form within a reasonable time. The Corporation shall keep a copy of the following records at its principal office: (a) the Articles of Incorporation then currently in effect, (b) the Bylaws then currently in effect, (c) minutes of all shareholders' meetings, and records of all actions taken by shareholders without a meeting, for the past 3 years, (d) all written communications to shareholders generally during the past 3 years, including annual financial statements furnished upon request of the shareholders, (e) a list of the names and business addresses of the current directors and officers, and (f) the most recent annual report filed with the Indiana Secretary of State.

ARTICLE VII.

Amendment

Subject to law and the Articles of Incorporation, the power to make, alter, amend or repeal all or any part of these Bylaws is vested in the Board of Directors. The affirmative vote of a majority of all the directors shall be necessary to effect any such changes in these Bylaws.

Filename: kellerexhibit101.htm
Type: EX-10.1
Comment/Description: Exhibit 10.1

(this header is not part of the document)

Exhibit 10.1

THE KELLER MANUFACTURING COMPANY, INC.

**2003
STOCK OPTION PLAN**

The Keller Manufacturing Company, Inc. (the "Company") hereby adopts this 2003 Stock Option Plan (the "Plan").

Section 1 — PURPOSE

The Company adopted the Plan to, among other things, (a) increase the profitability and growth of the Company; (b) provide competitive compensation while obtaining the benefits of tax deferral; (c) attract and retain exceptional personnel and encourage excellence in the performance of individual responsibilities; and (d) motivate key employees to contribute to the Company's success.

Section 2 — DEFINITIONS

For purposes of the Plan, the following terms shall have the meanings below unless the context clearly indicates otherwise:

2.1 **"Board"** shall mean the Board of Directors of the Company.

2.2 **"Change of Control"** of the Company shall mean (i) the acquisition of the power to direct, or cause the direction of, the management and policies of the Company by a person (not previously possessing such power), acting alone or in conjunction with others, whether through the ownership of Stock, by contract or otherwise, or (ii) the acquisition, directly or indirectly, of the power to vote 50% or more of the outstanding Stock, by any person or by two or more persons acting together, except an acquisition from the Company or an acquisition by the Company, the Company's management, or by a Company sponsored employee benefit plan, or (iii) the business of the Company is disposed of pursuant to a partial or complete liquidation, sale of assets, or otherwise; or (iv) during any period of two consecutive years, individuals who, at the beginning of such period, constituted the Board of Directors cease, for any reason, to constitute at least a majority thereof, unless the election or nomination of election for each new Director was approved by the vote of at least two-thirds of the Directors in office at the beginning of the period. For purposes of this Section 2.2, the term "person" means a natural person, corporation, limited liability company, partnership, joint venture, trust, government or instrumentality of the government, and customary agreements with or between underwriters and selling group members with respect to a bona fide public offering of the Stock or any other class of common stock of the Company shall be disregarded.

2.3 **“Chairman”** shall mean the Chairman of the Committee.

2.4 **“Code”** shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.

2.5 **“Committee”** shall mean the Compensation Committee appointed by the Board from time to time pursuant to Section 4.1, which shall administer the Plan. In the event of any Committee action with regard to Options held by or an Option grant to a member of the Committee, that member shall abstain from such action.

2.6 **“Director”** means a voting member of the Board, excluding any person who serves solely in an advisory capacity or as a director emeritus.

2.7 **“Disability”** shall mean a permanent disability within the meaning of Section 22(e) of the Code.

2.8 **“Eligible Person”** means an Employee who is eligible to be granted an Option under the Plan.

2.9 **“Employees”** shall mean an employee of the Company or any of its Subsidiaries who has been designated by the Committee, under the criteria in Section 5, as eligible to participate in the Plan.

2.10 **“Fair Market Value”** shall mean, as of any date, the fair market value of Stock determined as follows:

(i) If the Stock is listed on any established stock exchange or a national market system including without limitation the National Market of the National Association of Securities Dealers, Inc. Automated Quotation (“Nasdaq”) System, or the over-the-counter market as quoted by the National Quotation Bureau Incorporated, or any similar successor organization, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported, or, if no bids or sales that day, the average of the prior five days), as quoted on such system or exchange, or, if quoted on more than one, the average of those quoted; or

(ii) In the absence of an established market for the Stock as described in (i) above, the Fair Market Value thereof shall be the price which the Committee, acting in good faith, determines through any reasonable valuation method that a share of Stock might change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the relevant facts.

2.11 **“Incentive Stock Option”** shall mean an option to purchase Stock granted under Section 6 of the Plan which is designated by the Committee as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code.

2.12 **“Named Executive”** means any individual who, on the last day of the Company’s fiscal year, is the chief executive officer of the Company (or is acting in such capacity) or among the four most highly compensated officers of the Company (other than the chief executive officer). Such officer status shall be determined pursuant to the executive compensation disclosure rules under the Securities Exchange Act of 1934 (the “Exchange Act”).

2.13 **“Nonqualified Stock Option”** shall mean an option to purchase Stock granted under Section 6 of the Plan which is not intended to be an Incentive Stock Option.

2.14 **“Option”** shall mean an Incentive Stock Option or a Nonqualified Stock Option.

2.15 **“Option Period”** shall mean the period from the date of the grant of an Option to the date when the period for exercise of an Option expires as stated in the terms of the Stock Option Agreement.

2.16 **“Optionee”** shall mean an Employee who has been granted an Option to purchase shares of Stock under the provisions of the Plan.

2.17 **“Plan”** shall mean The Keller Manufacturing Company, Inc. 2003 Stock Option Plan.

2.18 **“Reporting Person”** means an Officer, Director, or greater than 10% stockholder of the Company within the meaning of Rule 16a-2 under the Exchange Act, who is required to file reports pursuant to Rule 16a-3 under the Exchange Act.

2.19 **“Retirement”** shall mean Termination of Employment with the Company or any of its Subsidiaries after attaining age 65 (or earlier with the Company’s or the Subsidiary’s consent).

2.20 **“Stock”** shall mean the Company’s voting common stock of no par value per share.

2.21 **“Stock Option Agreement”** shall mean an agreement or certificate between an Optionee and the Company covering the specific terms and conditions of an Option.

2.22 **“Subsidiary” or “Subsidiaries”** shall mean any corporation which at the time qualifies as a subsidiary of the Company under the definition of “subsidiary corporation” in Section 424(f) of the Code.

2.23 **“Termination”** shall be deemed to have occurred at the close of business on the last day on which an Employee is carried as an active employee on the records of the Company or any of its Subsidiaries. The Committee shall determine whether an authorized leave of absence, or other absence on military or government service, constitutes severance of the employment relationship between the Company or a Subsidiary and the Employee.

Section 3 — STOCK SUBJECT TO THE PLAN

3.1 Authorized Stock. Subject to adjustment as provided in this Section, the aggregate number of shares of Stock subject to an Option under the Plan shall be 585,000 shares of Stock. Stock delivered under the Plan may consist, in whole or in part, of authorized and unissued shares or shares acquired on the public market or from shareholders upon such terms as the Board deems appropriate for reserve in connection with exercises hereunder.

3.2 Effect of Expirations. If any Option granted under the Plan expires or terminates without exercise, the Stock no longer subject to such Option shall be available to be re-awarded under the Plan.

3.3 Adjustments in Authorized Shares. In the event of any merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, split-up, share combination, or other change in the corporate structure of the Company or any other increase or decrease in the number of issued shares of Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been “effected without receipt of consideration”, an appropriate and proportionate adjustment shall be made by the Committee in the number and kind of shares which may be delivered under the Plan, and in the number and kind of or price of shares subject to outstanding Options; provided that the number of shares subject to any Option shall always be a whole number. If any adjustment under this Section would create a fractional share of Stock or a right to acquire a fractional share of Stock, such fractional share shall be disregarded and the number of shares of Stock reserved under this Plan and the number subject to any Options granted under this Plan shall be the next lower number of shares of Stock, rounding all fractions downward. Any adjustment of an Incentive Stock Option under this Section shall be made in such a manner so as not to constitute a “modification” within the meaning of Section 424(h) of the Code. If the Company shall at any time merge, consolidate with or into another corporation or association, or enter into a statutory share exchange or any other similar transaction in which shares of Stock are converted as a matter of law into securities and/or other property, except as provided in Section 9.8, each Optionee will thereafter receive, upon the exercise of an Option, the securities or property to which a holder of the number of shares of Stock then deliverable upon the exercise of such Option would have been entitled if such Option had been exercised immediately prior to such merger, consolidation, or share exchange and the Company shall take such steps in connection with such merger, consolidation or share exchange as may be necessary to assure that the provisions of this Plan shall thereafter be applicable, as nearly as is reasonably possible, in relation to any securities or property thereafter deliverable upon the exercise of such Option. A merger or consolidation which results in the receipt of part of all cash consideration by the Company’s shareholders may, in the committee’s discretion, wholly or partly effect a deemed exercise and payment (or lapse if the cash payable is less than the Option’s exercise price) of an Option upon the closing of such a transaction. A sale of all or substantially all the assets of the Company for a consideration (apart from the assumption of obligations) consisting primarily of securities shall be deemed a merger or consolidation for the foregoing purposes.

Section 4 — ADMINISTRATION

4.1 Committee Governance. This Plan shall be administered by the Committee which shall consist of three or more Independent Directors appointed by the Board, and in a manner that shall permit Options to qualify for the exemption set forth in Rule 16b-3 under the Exchange Act and as performance-based compensation under Section 162(m) of the Code. The number of members of the Committee shall be determined by the Board. The Board shall add or remove members from the Committee as it sees fit, and vacancies shall be filled by the Board. The Committee shall select one of its members as the chairperson of the Committee and shall hold meetings at such times and places as it may determine. The Committee may appoint a secretary and, subject to the provisions of the Plan and to policies determined by the Board, may make such rules and regulations for the conduct of its business as it shall deem advisable. Written action of the Committee may be taken by a majority of its members, and actions so taken shall be fully effective as if taken by a vote of a majority of the members at a meeting duly called and held. A majority of Committee members shall constitute a quorum for purposes of meeting. The act of a majority of the members present at any meeting for which there is a quorum shall be a valid act of the Committee.

4.2 Committee to Interpret Plan. Subject to the express terms and conditions of the Plan, the Committee shall have sole power (i) to construe and interpret the Plan; (ii) to establish, amend or waive rules for its administration; (iii) to determine and accelerate the exercisability of any Option; (iv) to correct inconsistencies in the Plan or in any Stock Option Agreement, or any other instrument relating to an Option; and (v) subject to the provisions of Section 8, to amend the terms and conditions of any outstanding Option, to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Notwithstanding the foregoing, no action of the Board or the Committee may, without the consent of the person or persons entitled to exercise any outstanding Option, adversely affect the rights of such person or persons.

4.3 Exculpation. No member of the Board or the Committee shall be liable for actions or determinations made in good faith with respect to the Plan, or for awards under it.

4.4 Selection of Optionees. The Committee shall have the authority to grant Options from time to time to such Eligible Persons as may be selected by it in its sole discretion.

4.5 Decisions Binding. All determinations and decisions made by the Board or the Committee pursuant to the provisions of the Plan, including factual interpretations, shall be final, conclusive and binding on all persons, including the Company, its shareholders, Eligible Persons, Optionees and their estates and beneficiaries.

4.6 Administration With Respect to Reporting Persons. With respect to Options granted to Reporting Persons and Named Executives, the Plan shall be administered so as to permit such Options to qualify for the exemption set forth in Rule 16b-3 and to qualify as performance-based compensation under Section 162(m) of the Code.

4.7 Stock Option Agreements. Each Option granted to an Eligible Person under Section 6 of the Plan shall be evidenced by a Stock Option Agreement or a Certificate which shall be signed as authorized by the Committee and, if it requires covenants, representation or agreements from the Optionee as a condition to grant, by the Optionee, and shall contain such terms and conditions as may be approved by the Committee, which need not be the same in all cases. Any Stock Option Agreement may be supplemented or amended in writing from time to time as approved by the Committee, provided that the terms of such Agreements as amended or supplemented, as well as the terms of the original Stock Option Agreement, are not inconsistent with the provisions of the Plan. The Committee may condition any Option grant upon the agreement by the Eligible Person to such confidentiality, non-competition and non-solicitation covenants as the Committee deems appropriate. An Eligible Person who receives an Option under the Plan shall not, with respect to the Option requiring his signature, be deemed to have become an Optionee, or to have any rights with respect to the Option, unless and until the Eligible Person has executed a Stock Option Agreement evidencing the Option and shall have delivered an executed copy thereof to the Company, and has otherwise complied with the applicable terms and conditions of the Option. A certificate of option grant used as a Stock Option Agreement because the grant does not require any covenants to agreements from the Optionee as a condition to it, may be signed as authorized by the Committee and shall be effective upon the date so signed.

4.8 Limitations on Options.

(a) Subject to adjustment as provided in Section 3.3, the maximum number of shares of Stock that may be subject to Options newly-granted under the Plan to any one Eligible Person during any one fiscal year of the Company shall not exceed 400,000 shares. Such limit shall not be adjusted to restore shares of Stock with respect to which the related Option is terminated, surrendered or cancelled.

(b) No part an Option may be exercised to the extent the exercise would cause the Optionee to have compensation from the Company and its affiliated companies for any year in excess of \$1 million and which is nondeductible by the Company and its affiliated companies pursuant to Code Section 162(m). Any portion of an Option not exercisable because of this limitation shall continue to be exercisable in any subsequent year in which the exercise would not cause the loss of the Company's or its affiliated companies' compensation tax deduction, provided such exercise occurs before lapse of the Option, and otherwise complies with the terms and conditions of the Plan and Stock Option Agreement. Notwithstanding the foregoing, the Board may waive application of this Section 4.8 to any Optionee in its discretion.

Section 5 — ELIGIBILITY

Employees of the Company and any of its Subsidiaries who are expected to contribute substantially to the growth and profitability of the Company and its Subsidiaries are eligible for selection by the Committee under Section 4.4 to receive Options.

Section 6 — GRANT OF OPTIONS

6.1 Grant. Both Incentive Stock Options and Nonqualified Stock Options may be granted under the Plan. A grant shall be deemed made on the date the Committee approves by a requisite vote to grant the Option, unless the resolution specifically defers the grant date to a later (but not earlier) date. If an Option is designated as an Incentive Stock Option but does not qualify as such under Section 422 of the Code, the Option (or portion thereof) shall be treated as a Nonqualified Stock Option, and governed by Section 83 of the Code. All Options granted under the Plan shall be evidenced, as soon as practicable after grant, by a Stock Option Agreement in such form as the Committee may from time to time approve. All Options are subject to the terms and conditions of this Section 6 and such additional terms and conditions contained in the Stock Option Agreement, which need not be the same in each case (but not inconsistent with the provisions of the Plan) as the Committee finds desirable.

6.2 Option Price. The purchase price per share of Stock covered by an Option shall be determined by the Committee and for Incentive Stock Options but shall not be less than 100% of the Fair Market Value of such Stock on the date the Option is granted. Nonqualified Options may, in the Committee's discretion, be granted with an Option Price of less than Fair Market value at the date of grant. An Incentive Stock Option granted to any person who, at the time the Option is granted, owns or is deemed to own within the meaning of Section 424(d) of the Code, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its parent or any Subsidiary, shall have an exercise price which is at least 110% of the Fair Market Value of the Stock subject to the Option.

6.3 Option Period. The Option Period shall be determined by the Committee, and unless otherwise specifically provided in the Stock Option Agreement, no Option shall be exercisable later than ten years from the date of grant. Notwithstanding the foregoing, in the case of an Optionee owning (within the meaning of Section 424(d) of the Code), at the time an Incentive Stock Option is granted, more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary, such Incentive Stock Option shall not be exercisable later than five years from the date of grant. Options may expire prior to the end of the Option Period due to the Optionee's Termination, as provided in Section 7, or in accordance with any provision of the Stock Option Agreement. No Option may be exercised at any time unless such Option is valid and outstanding as provided in this Plan.

6.4 Limitation on Amount of Incentive Stock Options. The aggregate Fair Market Value (determined as of the time the Option is granted) of the Stock with respect to which an Optionee's Incentive Stock Options are exercisable for the first time during any calendar year (under this and all other stock option plans of the Company, any Subsidiary or any parent corporation) shall not exceed \$100,000. Options or portions of Options exercisable as a result of acceleration under Section 9.8 in excess of the \$100,000 limit described herein shall be treated as a Nonqualified Stock Option for tax purposes.

6.5 Nontransferability of Options. No Option shall be transferable by the Optionee otherwise than by will or by the laws of descent and distribution, and such option shall be exercisable, during the Optionee's lifetime, only by the Optionee.

SECTION 7 — EXERCISE OF OPTIONS

7.1 Exercise. An Option may be exercised, so long as it is valid and outstanding, from time to time in part or as a whole, subject to any limitations with respect to the number of shares for which the Option may be exercised at a particular time and to such other conditions (e.g., exercise could be conditioned on performance) as the Committee in its discretion may specify upon granting an Option to an Eligible Person or as otherwise provided in this Section 7.

7.2 Method of Exercise. To exercise an Option, the Optionee or the other person(s) entitled to exercise the Option shall give written notice of exercise to the Committee, specifying the number of full shares of Stock to be purchased. Such notice shall be accompanied by payment in full in cash for the Stock being purchased plus, in the case of Nonqualified Stock Options, any required withholding tax as provided in Section 10. If permitted by the Committee, in its sole discretion, payment in full or in part may be made in the form of Stock owned by the Optionee for at least 12 months evidenced by negotiable Stock certificates registered either in the sole name of the Optionee or the names of the Optionee and spouse (the number of Shares to be based on the Fair Market Value of the Stock on the date the Option is exercised), or by any combination of cash or shares of Stock. No shares of Stock shall be issued unless the Optionee has fully complied with the provisions of this Section 7.2.

7.3 Termination. After an Eligible Person's Termination, an Option may be exercised, subject to adjustment as provided in Section 3.3 or 9.8, only with respect to the number of shares of Stock which the Eligible Person could have acquired by an exercise of the Option immediately before the Termination but in no event after the expiration date of the Option as specified in the applicable Stock Option Agreement. Except to the extent shorter or longer periods are provided in the Stock Option Agreement by the Committee, an Employee's right to exercise an Option shall terminate:

(a) At the expiration of three months (Incentive Stock Options) or one year (Nonqualified Stock Options) after the Employee's Retirement; provided, however, if an Incentive Stock Option is not exercised after three months, it will remain exercisable until one year following the Employee's Retirement and be treated as a Nonqualified Stock Option for purposes of the Plan when it is exercised; or

(b) At the expiration of one year in the event of Disability of the Employee; or

(c) At the expiration of one year after the Employee's death if the Employee's Termination occurs by reason of death; any Option exercised under this subparagraph (c) may be exercised in full by the legal representative of the estate of the Employee or by the person or persons who acquire the right to exercise such Option by bequest or inheritance; or

(d) No later than three months after the Employee's Termination of Employment for any reason other than Retirement, Disability or death.

Section 8 — AMENDMENTS AND TERMINATION

8.1 Amendments and Termination. The Committee may terminate, suspend, amend or alter the Plan, but no action of the Committee may:

(a) Impair or adversely affect the rights of an Optionee under an Option, without the Optionee's consent; or,

(b) Without the approval of the shareholders:

(i) Increase the total amount of Stock which may be delivered under the Plan pursuant to Incentive Stock Options or the limit in Section 4.8 on grants to individual Eligible Persons, except as is provided in Section 3 of the Plan;

(ii) Decrease the option price of any Incentive Stock Option to less than the option price on the date the Option was granted;

(iii) Extend the maximum Option Period, or

(iv) Extend the period during which Incentive Stock Options may be granted, as specified in Section 12.

8.2 Conditions on Options. In granting an Option, the Committee may establish any conditions that it determines are consistent with the purposes and provisions of the Plan, including, without limitation, a condition that the granting of an Option is subject to the surrender for cancellation of any or all outstanding Options held by the Optionee. Any new Option made under this section may contain such terms and conditions as the Committee may determine, including an exercise price that is lower than that of any surrendered Option.

8.3 Selective Amendments. Any amendment or alteration of the Plan may be limited to, or may exclude from its effect, particular classes of Optionees.

Section 9 — GENERAL PROVISIONS

9.1 Unfunded Status of Plan. The Plan is intended to constitute an "unfunded" plan for incentive compensation, and the Plan is not intended to constitute a plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, and shall not extend, with respect to any payments not yet made to an Optionee, any rights that are greater than those of a general creditor of the Company.

9.2 Transfers, Leaves of Absence and Other Changes in Employment Status. For purposes of the Plan (i) a transfer of an Employee from the Company to a Subsidiary, or vice versa, or from one Subsidiary to another; or (ii) a leave of absence, duly authorized in writing by the Company or a Subsidiary, for military service or sickness, or for any other purpose approved by the Company or a Subsidiary if the period of such leave does not exceed 90 days; or (iii) any leave of absence in excess of 90 days approved by the Company, shall not be deemed a Termination of Employment. The Committee, in its sole discretion subject to the terms of the Stock Option Agreement, shall determine the disposition of all Options made under the Plan in all cases involving any substantial change in employment status other than as specified herein.

9.3 Restrictions on Distribution of Stock. Options shall not be exercisable unless the issuance of the Stock subject to the Options is the subject of an effective registration statement under the Securities Act of 1933, as amended, or unless, in the opinion of counsel to the Company, the issuance would be exempt from the registration requirements of the Securities Act of 1933, as amended.

9.4 Assignment Prohibited. Subject to the provisions of the Plan and the Stock Option Agreement, no Option shall be assigned, transferred, pledged or otherwise encumbered by the Optionee otherwise than by will or by the laws of descent and distribution, and such Options shall be exercisable, during the Optionee's lifetime, only by the Optionee. Options shall not be pledged or hypothecated in any way, and shall not be subject to any execution, attachment, or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of an Option contrary to the provisions of the Plan, or the levy of any process upon an Option, shall be null, void and without effect.

9.5 Other Compensation Plans. Nothing contained in the Plan shall prevent the Company from adopting other compensation arrangements.

9.6 Limitation of Authority. No person shall at any time have any right to receive an Option hereunder and no person shall have authority to enter into an agreement on behalf of the Company for the granting of an Option or to make any representation or warranty with respect thereto, except as granted by the Board or the Committee. Optionees shall have no rights in respect to any Option except as set forth in the Plan and the applicable Stock Option Agreement.

9.7 No Right to Employment. Neither the action of the Company in establishing the Plan, nor any action taken by it or by the Board or the Committee under the Plan or any Stock Option Agreement, or any provision of the Plan, shall be construed as giving to any person the right to be retained as an Employee of the Company or any Subsidiary.

9.8 Change of Control. If granted by the Committee in the Stock Option Agreement, in the event of a Change of Control, Options granted under the Plan shall become exercisable in full whether or not otherwise exercisable at such time, and any such Option shall remain exercisable in full thereafter until it expires pursuant to its terms. In the event of a Change of Control, each outstanding Option may be assumed or an equivalent option or right shall be substituted by the successor corporation or a parent or subsidiary of such successor corporation. If such successor corporation does not agree to assume the outstanding Options or to substitute equivalent options or rights, then each Option, at the direction and discretion of the Committee, may (subject to such conditions, if any, as the Committee deems appropriate under the circumstances) be cancelled unilaterally by the Company in exchange for (a) a transfer to such Optionee of the number of whole shares of Stock, if any, equal in Fair Market Value to the then-difference between the exercise price of the Option and the Fair Market Value of the Stock issuable upon the Option's exercise, or (b) a cash payment equal in to the then-difference between the exercise price of the Option and the Fair Market Value of the Stock issuable upon the Option's exercise.

9.9 Option Period. No Option granted under the Plan shall be exercisable or payable more than 10 years from the date of grant.

9.10 Not a Shareholder. The person or persons entitled to exercise, or who have exercised, an Option shall not be entitled to any rights as a shareholder of the Company with respect to any shares subject to the Option until such person or persons shall have become the holder of record of such shares.

9.11 Headings. The headings in this Plan have been inserted solely for convenience of reference and shall not be considered in the interpretation or construction of this Plan.

9.12 Governing Law. The validity, interpretation, construction and administration of this Plan shall be governed by the laws of the Commonwealth of Kentucky.

Section 10 — TAXES

10.1 Tax Withholding. All Optionees shall make arrangements satisfactory to the Committee to pay to the Company, at the time of exercise in the case of a Nonqualified Stock Option, any federal, state or local taxes required to be withheld with respect to such shares. If such Optionee shall fail to make such tax payments as are required, the Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Optionee.

10.2 Share Withholding. If permitted by the Committee in the Stock Option Agreement, the tax withholding obligation may be satisfied by the Company retaining shares of Stock with a Fair Market Value (determined on the date the amount required to be withheld is determined (the "Tax Date")) equal to the minimum amount required to be withheld. Any Stock so withheld will not be counted against the number of shares available for issuance under Section 3.1 of the Plan. Any surrender by a Reporting Person of previously owned Stock to satisfy tax withholding obligations arising upon exercise of this Option must comply with the applicable provisions of Rule 16b-3. All elections by an Optionee to have Stock withheld to satisfy tax withholding obligations shall be made in writing in a form acceptable to the Committee and shall be subject to the following restrictions:

- (i) the election must be made on or prior to the applicable Tax Date;
- (ii) once made, the election shall be irrevocable as to the Option or portion of an Option as to which the election is made; and
- (iii) all elections shall be subject to the consent or disapproval of the Committee.

Section 11 — EFFECTIVE DATE OF PLAN

The Plan was adopted by the Board on August 13, 2003 (the “Effective Date”) and grants may be made hereunder beginning at that date; provided, however, that, if shareholder approval is not obtained for the Plan on or before 12 months following the Effective Date., all options hereunder shall be void and of no effect, and no Options may be issued hereunder which allow from exercise prior to receipt of shareholder approval.

Section 12 — TERM OF PLAN

Unless terminated earlier by the Committee, no Option shall be granted under the Plan more than ten years after the Effective Date as defined in Section 11.

* * * * *

Filename: kellerexhibit102.htm
Type: EX-10.2
Comment/Description: Exhibit 10.2
(this header is not part of the document)

Exhibit 10.2

LEASE OF SPACE IN INTERNATIONAL HOME FURNISHINGS CENTER®

IHFCo: IHFCo Properties, LLC
Post Office Box 828
High Point, North Carolina 27261

LESSEE: The Keller Manufacturing Company, Inc.
d/b/a Keller Manufacturing Company
701 N. Water St.
Corydon, IN 47112

DESCRIPTION OF PREMISES: Space No M1301 including bays M1302, M1303, M1304, M1305, M1306, M1307, M1308, M1310, M1311, M1312, M1313, M1314, M1315, M1316, M1317, M1318, M1319 and M1320 in the International Home Furnishings Center®, High Point, North Carolina.

TERM: 5 Years

COMMENCEMENT DATE: November 1, 2003
EXPIRATION DATE: October 31, 2008

BASE RENTAL: 15,577.00 sq. ft. @ \$12.00 per sq. ft. per year

ADDITIONAL OR SUPPLEMENTAL TERMS AND PROVISIONS

This lease is contingent upon Lessee making a professionally designed showroom statement both interiorly and exteriorly.

This lease supersedes the present lease between the Lessor and Lessee for Space No. W747, dated December 14, 1998, and such prior lease shall be deemed cancelled.

IHFCo, by this Agreement, leases to Lessee and Lessee leases from IHFCo, the Premises described above, at the rental, for the term and upon the other terms and conditions contained on this page and in IHFCo Standard Terms and Conditions of Lease (IHFCo Form No. 201230R) which are incorporated by reference in and made a part of this lease.

IHFCo and Lessee have caused this Lease to be executed by their duly authorized officers, this the 4th day of November, 2003.

IHFCo
IHFCo Properties, LLC

EXHIBITOR:
The Keller Manufacturing Company, Inc.
d/b/a Keller Manufacturing Company

Complete Formal Business Name

By: /s/ F. Edward Thomas

VICE PRESIDENT

Indiana Corporation

LEGAL FORM OF BUSINESS CORPORATION, PARTNERSHIP
OR INDIVIDUAL AND STATE OF PRINCIPAL OFFICE

Attest: /s/ Jane S. Lain

SECRETARY

By: /s/ Keith Williams

NAME	TITLE
PRESIDENT, VICE PRESIDENT, GENERAL PARTNER, OWNER	

Attest: /s/ David T. Richardson

CORPORATE SEAL

SECRETARY IF LESSEE IS A CORPORATION

CORPORATE SEAL

STANDARD TERMS AND CONDITIONS OF LEASE
IHFCo FORM NO. 201230R

1.0
PREMISES

§1.1. **Description.** Lessee acknowledges receipt of a drawing or floor plan showing the exact location of the Premises in the International Home Furnishings Center® showroom complex owned and operated by IHFCo (the “Home Furnishings Center”). The Home Furnishings Center is more particularly described on a map or plat prepared by Davis-Martin-Powell and Associates, Inc. and designated Job No. S-18512, a copy of which is on file at the office of IHFCo and is incorporated in this Lease by reference. The lease of the Premises includes the right of access to the Premises through the common areas of the Home Furnishings Center.

§1.2 **Relocation.** Lessee acknowledges and agrees that it is essential to the orderly and efficient operation of the Home Furnishings Center by IHFCo that IHFCo have the right from time to time to relocate lessees in order to achieve optimum utilization of all space in the Home Furnishings Center. Consequently, IHFCo shall be entitled to relocate Lessee as provided in this section if IHFCo determines that relocation of Lessee is in the best interest of the Home Furnishings Center in the conduct of its business. IHFCo shall exercise its right to relocate Lessee in the following manner: (a) the premises to which Lessee is to be relocated (the “New Premises”) shall be selected by IHFCo and shall be equivalent (as determined by IHFCo in its sole discretion) in size and value to the Premises; (b) IHFCo shall notify Lessee of its intent to relocate Lessee within a time period prior to the commencement of the next regularly scheduled Market such that the Lessee has a reasonable period of time (as determined by IHFCo in its sole discretion) to refixture, redecorate, and prepare to show at that Market and identify the proposed New Premises, (c) within ten (10) days after notice of relocation by IHFCo, Lessee, at its option, may terminate this Lease by written notice to IHFCo; (d) if Lessee fails to terminate this Lease as provided in (c) above, the New Premises shall be substituted for the original Premises. This Lease shall continue in full force and effect without any other change, and IHFCo, at its expense, shall move Lessee’s property to the New Premises and shall pay the costs (less a reasonable allowance for depreciation) of replacing (as nearly as possible) all installations and improvements of Lessee which cannot be moved to the New Premises.

2.0
TERM

§2.0 **Commencement and Expiration Date.** The Commencement Date and Expiration Date of the Lease term are the dates set forth on the first page of this Lease.

§2.2 **Holding Over.** If Lessee remains in possession of the Premises after the expiration or termination of this Lease, Lessee shall be only a tenant at will but its occupancy shall otherwise be subject to all of the terms and provisions of this Lease, except that Lessee shall pay per diem rent for each day Lessee occupies the premises, in an amount equal to one hundred fifty percent (150%) of the then prevailing annual rates for comparable space charged by IHFCo to new tenants, prorated on a daily basis.

3.0
RENT

§3.1 **Annual Rental.** Lessee shall pay to IHFCo without offset or deduction the Annual Rental for the Premises, consisting of (i) the Base Rent set forth on the first page of this Lease. The Annual Rental is due and payable in semiannual installments, each such semiannual installment being due and payable in advance on or before the first day of November and on or before the first day of May (the “Rental Payment Dates”) of each calendar year during the Lease term, except as provided in §3.2. The first semiannual installment of rent is due and payable upon the execution of this Lease. All payments of rent are final and nonrefundable.

§3.2 **No Reduction.** If the Commencement Date is a day other than a Rental Payment Date, Lessee acknowledges and agrees that by receiving possession of the Premises on the Commencement Date, Lessee will be able to show its merchandise at the next ensuing Market and will receive the same benefits as would have been the case had the Lease term commenced on the Rental Payment Date next preceding the actual Commencement Date. Lessee therefore agrees to pay a full semiannual rental payment for the period of time beginning with the Commencement Date and ending on the day before the next Rental Payment Date.

§3.3 Rent Adjustment. In addition to the Annual Rental provided for in §3.1, Lessee agrees to pay IHFCo, for each Lease Year, an amount determined by multiplying the Annual Rental by a percentage equal to the cumulative percentage increase, if any, in the CPI, determined as follows:

- (a) “CPI” means the Consumer Price Index, All Urban Consumers — U.S. City Average — All items (1982-4=100) as published by the Bureau of Labor Statistics of the United States Department of Labor;
- (b) If the Commencement Date is a Rental Payment Date, A Lease Year is the annual period commencing on the Commencement Date and on each anniversary thereof. If the Lease Term commences on any other date, a Lease Year is the annual period commencing on the Rental Payment Date next preceding the Commencement Date, and on each anniversary thereof;
- (c) The cumulative percentage increase in the CPI shall be the percentage increase, if any, in the CPI for the sixth month prior to the Lease Year in question over the CPI for the same month next preceding the Commencement Date;
- (d) If the CPI ceases to use the 1982-4 average equaling 100 as the basis of calculation, or if a change is made in the term or number of items contained in the CPI, or if the CPI is altered, modified, converted or revised in any other way, then the foregoing computations shall be made with the use of such conversion factor, formula or table for converting the CPI as may be published by the Bureau of Labor Statistics or, if the Bureau shall not publish the same, then with the use of a conversion factor which adjusts the modified CPI to the figure that would have been arrived at had the change in the manner of computing the CPI in effect on the date of this lease not been altered. If the Bureau shall cease publication of the CPI, then any substitute or successor index published by the Bureau or other governmental agency of the United States shall be used, similarly adjusted. If neither the CPI or a successor or substitute index similarly adjusted is available, then a reliable governmental or other reputable publication selected by IHFCo and evaluating the information theretofore used in determining the CPI shall be used;
- (e) IHFCo shall bill the Lessee for the cumulative increase in the Annual Rental at the same time as its normal invoices for Annual Rental are sent prior to each Lease Year, and, upon request by Lessee, shall furnish Lessee with a statement explaining the method of computation of the CPI increase; and
- (f) IHFCo shall not be obliged to make any adjustments or recomputations, retroactive or otherwise, by reason of any revision which may later be made in the amount of the CPI first published for any month.

**4.0
USE AND
OCCUPANCY
BY LESSEE**

§4.1. **Use.** Lessee shall use the Premises for the display, exhibition, and sale of home furnishings, furniture, accessories, carpeting and wall coverings, and for office or clerical purposes to the extent reasonably required for the conduct of such activities at the Premises, and for no other purpose.

§4.2. **Operation During Markets.** Lessee shall open the Premises, exhibit its products and staff the Premises with employees for the entire period of each regularly scheduled Market.

§4.3. **Rules and Regulations.** IHFCo has established rules, regulations guidelines and polices (the “Guidelines”) regarding the operation of the Home Furnishings Center, and shall be entitled to establish Guidelines from time to time after the execution of this Lease. Lessee acknowledges receipt of a copy of the current Guidelines and agrees to comply, and to cause its employees, contractors, agents and others occupying the Premises to comply, with all current and future Guidelines, provided that (a) IHFCo notifies Lessee of any Guidelines established after the date of this Lease and (b) the Guidelines established by IHFCo do not unreasonably interfere with Lessee’s use of the Premises for the purposes set forth in §4.1.

§4.4. **Restriction on Other Operations of Lessee.** Lessee agrees (insofar as and to the extent Lessee may lawfully do so) that during all regularly scheduled Markets or other times at which the Home Furnishings Center is officially open to buyers during the term of this Lease, Lessee will not, within a five (5) mile radius of the Home Furnishings Center (a) operate any other showroom under the same trade name or names under which Lessee does business from the Premises or (b) exhibit in any other location the same merchandise which Lessee exhibits in the Premises. Lessee acknowledges and agrees that it is in the best interest of Lessee and other tenants in the Home Furnishings Center as exhibitors, and in the best interest of the successful operation of the Home Furnishings Center as a national market for home furnishings, to maximize buyer traffic in, and the duration of buyer visits to, the Home Furnishings Center. Lessee agrees that the foregoing provisions are reasonably necessary to accomplish these purposes, and that a breach of these provisions by Lessee will constitute a material breach of the Lease.

§4.5. **Property of Others.** Lessee will not place or permit to be placed in the Premises property of any other person or entity, unless it has first secured the written consent of IHFCo.

§4.6. **Market Dates; Admission.** IHFCo shall have the sole right to prescribe the dates of regularly scheduled Markets applicable to Lessee’s lines of merchandise, and qualifications, conditions and times of admission to the Home Furnishings Center. IHFCo may restrict admission to accredited buyers and condition admission upon the presentation of credentials prescribed or provided by IHFCo. Without limiting the generality of the foregoing, Lessee agrees not to admit any buyers to the Premises during the seven-day period prior to each Market.

§4.7. **Compliance.** Lessee agrees not to use or occupy the Premises, or permit them to be used or occupied, in any manner which violates applicable laws or regulations affecting the Premises or the Home Furnishings Center established by any governmental or public authority having jurisdiction to promulgate such laws or regulations, or by any insurance carrier insuring the Premises, property located therein, or the Home Furnishings Center.

§4.8. **Inspection by IHFCo.** IHFCo and its representatives shall be entitled to enter the Premises at any reasonable time for the purpose of inspecting the Premises, performing any work required or permitted to be performed by IHFCo under this Lease, and exhibiting the Premises to prospective mortgagees and tenants. IHFCo agrees that to the extent practical, it will not unreasonably interfere with the operation of Lessee’s business in the exercise of its rights under this Section.

**5.0
ASSIGNMENT AND
SUBLETTING**

§5.1. **Transfers by Lessee.** Lessee agrees not to assign this Lease or sublet all or any part of the Premises without Lessor's prior written consent in each instance. In the event of an assignment or sublease, Lessee shall remain primarily liable for payment and performance of all obligations under this Lease upon default by the assignee or subtenant, notwithstanding the acceptance of rent or performance directly from the assignee or subtenant by IHFCo.

§5.2. **Subleasing Policy.** All proposed subleases which IHFCo is requested to approve pursuant to §5.1 must conform to subleasing policies established by IHFCo from time to time, and Lessee acknowledges and agrees that IHFCo's subleasing policies, among other things, may provide for selection of sublessees from a priority waiting list, the use of standard forms, direct billing by IHFCo, the imposition of subleasing fees by IHFCo, and the retention by IHFCo of the excess of any amounts payable under the sublease over the rent and other charges payable under this Lease. Nothing in this section may be construed to create any inference that IHFCo is obligated to approve any sublease which complies with the provisions of this section.

§5.3. **Change of Ownership.** For purposes of this Paragraph, an assignment includes: (1) one or more sales or transfers by operation of law or otherwise by which an aggregate of more than fifty percent (50%) of Lessee's shares or ownership shall be vested in a party or parties who are not shareholders or owners of Lessee as of the date of this Lease; (2) any transfer by operation of law; (3) any assignment among co-tenants; and (4) any assignment of a part interest in this lease.

**6.0
REPAIRS AND
MAINTENANCE**

§6.1. **Acceptance.** Lessee has examined the Premises and accepts them in their present conditions, without any representation on the part of IHFCo as to the present or future condition of the Premises except as otherwise specifically provided in this Lease.

§6.2. **IHFCo's Repair Obligations.** IHFCo shall at IHFCo's expense maintain the exterior walls, roof, structural supports and common areas of the Home Furnishings Center in good order and repair; provided, however, that (a) IHFCo is not an insurer and its responsibility to do so shall be confined to making the proper repairs within a reasonable time after it has received notice of the necessity, nature and location of the repairs and (b) Lessee shall repair any damage to the Home Furnishings Center caused by Lessee or its agents.

§6.3. **Lessee's Repair Obligations.** Lessee agrees to maintain the Premises in a neat and clean condition, in good order and repair, and in full compliance with applicable laws, ordinances, regulations, and codes.

§6.4. **Surrender.** At the expiration or termination of this Lease, Lessee agrees to quit and surrender the Premises to IHFCo in as good a condition as when received, reasonable wear and tear and damage by fire or other casualty excepted.

**7.0
LESSEE'S PROPERTY;
ALTERATIONS AND
IMPROVEMENTS**

§7.1. **Lessee's Property.** Subject to the security interest granted in §12.4 of this Lease, all merchandise, office furniture and equipment, samples, inventory and other unattached movable property placed in the Premises by Lessee shall remain the property of Lessee, and Lessee, if it is not in default under this Lease, shall be entitled to remove such items from the Premises, provided Lessee repairs any damage to the Premises or the Home Furnishings Center caused by such removal.

§7.2. **Placing Property in or Removing Property From Premises.** Except as otherwise specifically permitted by IHFCo's Guidelines, all property of Lessee shall be moved to or from the Premises by the employees or designated contractors of IHFCo, at the expense and risk of Lessee, and Lessee agrees to pay IHFCo upon receipt of IHFCo's invoice IHFCo's standard charges for moving such items to and from the Premises. IHFCo shall not be liable for any loss or damage to property of Lessee, unless caused by the negligence of IHFCo or its employees.

§7.3. Alterations and Improvements. Lessee shall be entitled to make alterations, additions, and improvements to the Premises, provided Lessee first obtains IHFCo's written consent, which IHFCo will not unreasonably withhold. Any alteration, addition, improvement or other property attached to the Premises by Lessee (including, without limitation electrical wiring, lighting fixtures, carpeting and track lighting) shall become the property of IHFCo upon the expiration or termination of this Lease, unless IHFCo elects to require Lessee to remove the same, repair any damages occasioned by such installation or removal, and restore the Premises to their original condition.

§7.4. Performance of Work. All work in connection with alterations, additions, or improvements to the Premises (a) shall be performed in a first class, workmanlike manner with all required governmental and utility permits obtained in advance by Lessee; (b) shall not weaken or impair the structural integrity of the Home Furnishings Center; and (c) shall be in accordance with plans and specifications, and performed by contractors, approved by IHFCo. All contractors performing such work shall carry insurance satisfactory to IHFCo and shall execute lien waivers, and indemnity agreements satisfactory to IHFCo. IHFCo shall have no duty to Lessee or anyone else to enforce these requirements or inspect the work of Lessee's contractors.

**8.0
TAXES**

IHFCo agrees to pay all ad valorem taxes and assessments levied, assessed or charged against the Home Furnishings Center. Lessee agrees to list and pay all license, privilege, ad valorem or other taxes levied, assessed or charged against Lessee or IHFCo on account of the operation of Lessee's business in the Premises or on account of property owned by Lessee.

**9.0
UTILITIES**

IHFCo agrees to furnish heat, electricity, air conditioning, and elevator service to the Premises for a period beginning thirty (30) days prior to the commencement of each regularly scheduled Market, and ending fourteen (14) days following the close of each such Market; provided, however, that IHFCo shall not be liable for interruptions in service due to breakdowns or other causes beyond its control. If Lessee uses the Premises at any other times, Lessee agrees to pay such additional charges as may be imposed by IHFCo for such excess utility use.

**10.0
INSURANCE
INDEMNITY**

§10.1. Insurance. Lessee agrees to keep its property located in the Premises, including all alterations, additions and improvements made by it, insured against loss or damage by fire or other casualty, under an "all risks" policy in an amount equal to full replacement cost value thereof. Lessee agrees to maintain in force comprehensive general liability insurance coverage on the Premises, with a minimum combined single limit of \$1,000,000.00 for death, personal injury or property damage, naming IHFCo as an additional insured. This general liability coverage may be either on an "occurrence" or a "claims made" basis. If on a "claims made" basis, Lessee must either:

- (a) Agree to provide certificates of insurance evidencing the above coverages for a period of three years after expiration of the lease, which certificate shall evidence a "retroactive date" no later than the Commencement Date; or
- (b) Purchase the extended reporting period endorsement for the policy or policies in force during the term of this lease and evidence the purchase of this extended reporting period endorsement by means of a certificate of insurance or a copy of the endorsement itself.

All policies shall provide that unless IHFCo is given ten (10) days written notice of any cancellation, failure to renew, or material change, the insurance shall remain in full force and effect, without change. On or before the Commencement Date, Lessee agrees to provide IHFCo with satisfactory evidence that all required insurance is in force. Lessee may provide any insurance required under this Article through its corporate or blanket policies.

§10.2. **Waiver of Subrogation.** To the extent that any business interruption or loss or damage to property occurring in the Premises or in the Home Furnishings Center, or in any manner growing out of or connected with Lessee's occupation of the Premises or the condition thereof (whether or not caused by the negligence of IHFCo or Lessee or their respective agents, employees, contractors, tenants, licensees, or assigns) is covered by insurance (regardless of whether the insurance is payable to or protects IHFCo or Lessee, or both) neither IHFCo nor Lessee, nor their respective officers, directors, employees, agents, invitees, assignees, tenants, or subtenants, shall be liable to the other for such business interruption or loss or damage to property, it being understood and agreed that each party will look to its insurer for reimbursement. This release shall be effective only so long as the applicable insurance policies contain a clause to the effect that it shall not affect the right of the insured to recover under the policies. Such clauses shall be obtained by the parties wherever possible. Nothing in this Section may be construed to impose any other or greater liability upon either IHFCo or Lessee than would have existed in its absence.

§10.3. **Assumption of Risks, Release, and Indemnity.** Lessee (1) assumes all risks with respect to, (2) releases IHFCo from liability for, and (3) agrees (except to the extent IHFCo is effectively protected by insurance) to protect indemnify and save harmless IHFCo from and to defend IHFCo (through counsel acceptable to IHFCo) against any claim liability, loss, or damage arising out of or connected with the following, however caused and wherever originating and regardless of whether the cause or means of repairing the same is accessible to or under the control of Lessee:

- (a) Damage to property of Lessee, or its agents, employees or subtenants occurring in or about the Home Furnishings Center;
- (b) Damage to property of anyone occurring in or about the Premises;
- (c) Any injury to or interruption of business or loss of profits attributable to or connected with any damage to property referred to in subparagraphs (a) or (b), above.
- (d) Death or personal injury occurring in or about the Premises (unless resulting from the negligence of IHFCo or its employees); or
- (e) Any other risks with respect to which Lessee is required to insure by the terms of this Lease (whether or not such insurance is actually in force).

In addition to and without limiting the generality of the foregoing, Lessee's assumption of risk, release, and indemnity obligations as set forth above shall apply to any claim, liability, loss or damage arising out of or in connection with (1) Lessee's occupancy of or conduct of business in the Premises (2) the condition of the Premises, (3) any default of Lessee under this Lease; and (4) mechanic's or materialmen's liens asserted by persons claiming to have dealt with Lessee or Lessee's contractors.

**11.0
DAMAGE OR
DESTRUCTION**

§11.1. **Option to Terminate.** If the Premises are damaged or destroyed by fire or other casualty to such extent that they are completely untenable, or if the area of the Home Furnishings Center in which the Premises are located is so severely damaged that IHFCo elects to demolish, or completely rebuild it, IHFCo may terminate this Lease by notifying Lessee within thirty (30) days following the damage or destruction, and rent and other charges payable by Lessee under this lease shall be apportioned to the date of the damage or destruction.

§11.2. **Obligation to Repair or Restore.** If the Premises are damaged by fire or other casualty, unless IHFCo has exercised its right to terminate, if any, under §11.1, IHFCo shall with reasonable dispatch, and in any event within one hundred eighty (180) days, repair and restore the Premises to their condition existing at the date of the damage or destruction (except for alterations and improvements installed by Lessee and other property of Lessee, which Lessee shall repair and restore within that time) and this Lease shall remain in full force and effect except that rent shall abate as provided in §11.3.

§11.3. **Rent Abatement.** If the Premises are damaged or destroyed by fire or other casualty and this Lease is not terminated, rent and other charges under this Lease shall abate in the same percentage as the rentable area of the Premises available for use bears to the entire rentable area of the Premises; provided, however, that if the Premises are damaged or destroyed to such extent that it is unreasonable to expect Lessee to continue to operate the Premises as a showroom, all rent shall abate from the date of the damage or destruction until the earlier of the date the Premises are repaired and restored, or the date Lessee reopens the Premises as a showroom. Notwithstanding the foregoing if IHFCo is able to repair and restore the Premises within such time as to permit Lessee (in the exercise of reasonable dispatch and considering the time required for Lessee to complete Lessee's restorations to the Premises and redecorate them) to use the Premises for a showroom at the next ensuing Market after the damage or destruction, there shall be no abatement of rent.

**12.0
DEFAULT**

§12.1. **Events of Default.** Lessee shall be in default under this Lease if any one of the following Events of Default occurs:

- (a) Lessee fails to pay when due any installment of rent or other amount due under the terms of this Lease;
- (b) Lessee fails to pay when due any other amount owed to IHFCo; or
- (c) Lessee repudiates or fails to perform any obligation under §1.2 (Relocation), §4.0 (Use), §5.0 (Assignment and Subletting), §7.3 (Alterations), §13.0 (Subordination) or §14.0 (Estoppel Certificates).
- (d) Lessee vacates or abandons the Premises;

- (e) Lessee becomes insolvent, executes an assignment for the benefit of creditors, is adjudicated a bankrupt, files for relief under the reorganization provisions of any Federal bankruptcy law or state insolvency law, or a permanent receiver of the property of Lessee is appointed by any court of competent jurisdiction.
- (f) Lessee repudiates or, within ten (10) days after notice of nonperformance by IHFCo, fails to perform any other obligation which it is required to perform under the terms of this Lease or, if performance cannot reasonably be had within ten (10) days after notice from IHFCo, Lessee fails to commence performance within that period and diligently proceed to completion of performance.

§12.2. **Remedies.** If an Event of Default occurs, IHFCo, at its option and without further notice to Lessee, may pursue any remedy now or hereafter available to IHFCo under the laws of the State of North Carolina. Without limiting the generality of the foregoing, IHFCo shall be entitled to reenter the Premises by force, summary proceedings or otherwise, expelling Lessee and removing all property from the Premises, all without liability to Lessee or anyone else and either:

- (a) attempt to relet the Premises for such term and rental and upon such other terms and conditions as IHFCo in its sole discretion deems advisable. All rentals received by IHFCo from such reletting shall be applied, first, to payment of any indebtedness other than rent due from Lessee to IHFCo; second, to payment of any expenses of reletting, including, without limitation, the costs of recovering the Premises, such alterations or repairs as may be necessary to relet the Premises, brokerage fees, and reasonable attorney's fees; third to payment of any rent unpaid under the terms of this Lease; and the residue, if any, to the payment of rent as the same becomes due and payable under this Lease. If the amount received from such reletting and applied to rent during any semiannual period is less than the rent reserved under this Lease, Lessee agrees to pay the deficiency to IHFCo. The deficiency shall be calculated and paid semiannually. No reentry or taking possession of the Premises by IHFCo shall be construed as an election upon its part to terminate this Lease unless IHFCo so notifies Lessee or this Lease is terminated by order of a court of competent jurisdiction; or
- (b) notwithstanding any reletting without termination, at any time after an Event of Default occurs, elect to terminate this Lease, and, in addition to IHFCo's other remedies, recover from Lessee all damages incurred by reason of Lessee's default, including, without limitation, the costs of recovering the Premises, reasonable attorney's fees, and the worth, at the time of the termination, of the excess, if any, of the amount of rent reserved under this Lease over the then reasonable rental value of the Premises for the remainder of the term of the Lease, all of which amounts shall be immediately due and payable from Lessee to IHFCo.

§12.3. **Late Charges.** If any installment of rent or any other amount due under this Lease is not received by IHFCo within ten (10) days after the date such payment was due, then Lessee shall be obligated to pay, in addition to the amount due, a late charge equal to five percent (5%) of the overdue amount. Lessee agrees that this late charge represents a fair and reasonable estimate of the additional processing, accounting and other costs IHFCo will incur by reason of late payment by Lessee, the exact amount of which would be difficult to ascertain. Notification by IHFCo to Lessee that a late payment charge has been added to the amount of overdue rent or other charges shall not constitute a waiver of Lessee's default, nor preclude IHFCo from exercising any other remedy.

§12.4. **Security Interest.** As security for performance and payment of all present and future rents and other obligations required to be paid or performed by Lessee under the terms of this Lease, and for any other amounts owed IHFCo by Lessee, Lessee hereby grants unto IHFCo a security interest in all installations, samples, goods, merchandise, furniture, fixtures, and other property of Lessee, now owned or hereafter acquired, located in the Premises or the Home Furnishings Center. If an Event of Default occurs, IHFCo at any time thereafter may exercise, in addition to its other remedies, the rights of a secured party under Chapter 25 of the North Carolina General Statutes. The proceeds from any sale of the collateral pursuant to such remedies shall be applied in the following order: (a) the expense of taking, removing, holding for sale, and preparing for sale, specifically including IHFCo's reasonable attorney's fees; (b) the expense of liquidating any liens, security interests or other encumbrances superior to this security interest; and (c) amounts owed by Lessee to IHFCo under the terms of this Lease or otherwise, in the order herein provided for. Lessee agrees to execute such financing statements and other documents as may be required to perfect the security interest granted to IHFCo under this Section. If the tenant has granted the Landlord or its predecessor a security interest under a prior lease or other agreement (the Prior Lease), this paragraph continues and re-affirms the security interest granted under the Prior Lease(s) and is not intended to create a novation.

§12.5. **Partial Payment.** IHFCo shall not be obligated to accept partial payments of rent or other charges due under this Lease. If IHFCo accepts any such payment, IHFCo shall not be deemed to have waived the default of Lessee by reason of non-payment of such charges in full, nor to have waived its right to collect late charges. IHFCo will hold any partial payment so received as a deposit against full payment of such amounts. At any time prior to full payment by Lessee of such amounts, IHFCo may exercise any one or more of its remedies on default, and apply the deposit to any amounts or damages owed IHFCo as of the date IHFCo elects to exercise such remedies, including, without limitation, pro rata rent and other charges payable under this Lease for the current lease period up through the date of the exercise by IHFCo of its remedies upon default. The acceptance of such deposit by IHFCo shall be entirely without prejudice to IHFCo's right thereafter, at any time prior to payment in full, to assert such default, apply the deposit as provided in this section, and pursue all remedies available to IHFCo under this Lease or applicable law.

§12.6. **Default Under Prior Lease.** If this Lease is to take effect at the expiration of an earlier lease between IHFCo and Lessee for space in the Home Furnishings Center (the "Prior Lease"), then this Lease is subject to Lessee's performing its obligations under the Prior Lease up through the date of its expiration. If an Event of Default occurs under the Prior Lease and IHFCo, pursuant to its rights under the Prior Lease, either (a) terminates Lessee's right to possession of the Premises or (b) terminates the Prior Lease, then this Lease shall be automatically terminated, whether or not such termination is expressly stated in any notice from IHFCo to Lessee.

**13.0
SUBORDINATION**

At the election of IHFCo, this Lease shall be subordinate to a first mortgage or deed of trust held by a lending institution and secured by the Home Furnishings Center; provided, however, that IHFCo agrees to use reasonable efforts to secure from the mortgagee a nondisturbance agreement providing that in the event of foreclosure the mortgagee will recognize the validity of this Lease, and, provided Lessee is not in default, will not disturb Lessee's possession hereunder.

**14.0
ESTOPPEL
CERTIFICATES**

Upon ten (10) days prior written notice from IHFCo, Lessee agrees to execute, acknowledge and deliver to IHFCo, Lessee's certificate: (a) stating whether this Lease is in full force and effect; (b) stating whether this Lease has been modified, and if so, the nature of such modification; (c) stating the date through which rent and other charges are paid in advance; (d) stating whether, to Lessee's knowledge, there are any uncured defaults of IHFCo under this Lease, specifying the nature of any claimed default; and (e) providing such other information as IHFCo may reasonably request with respect to the status of the Lease. Any such certificate may be conclusively relied upon by IHFCo or any prospective purchaser or mortgagee of the Home Furnishings Center.

**15.0
NOTICES**

All notices required or permitted by the terms of this Lease shall be deemed given when deposited in the United States Registered or Certified Mail, Postage Prepaid, or with verification of delivery by telegram, cable, telex, commercial courier or any other generally accepted means of business communication, to either party, at the address set forth for such party on the first page of this Lease. Either party may change the address to which notices must be sent by giving notice to the other party in accordance with this Section.

**16.0
MISCELLANEOUS**

- (a) This Lease shall be governed, construed, and enforced under the laws of North Carolina and the parties submit to the jurisdiction of the courts of North Carolina and stipulate that Guilford County, North Carolina, is proper venue for the purpose of all controversies which may arise under this Lease;
- (b) This Lease contains the entire understanding of the parties and there are no conditions precedent to its effectiveness or collateral understandings with respect to its subject matter;
- (c) It may not be modified except by writing signed by both parties;
- (d) It shall not be construed strictly against either party, but fairly in accordance with their intent as expressed herein;
- (e) Lessor's remedies are cumulative and not exclusive of other remedies to which Lessor may be legally entitled;
- (f) No waiver of any breach of a provision of this Lease may be construed to be a waiver of any succeeding breach of the same or any other provision, nor shall any endorsement or statement on any check or letter accompanying payment be deemed an accord and satisfaction, and IHFCo may accept payment without prejudice to its rights to pursue any remedy provided for in this Lease;
- (g) Time is of the essence in every particular, especially where the obligation to pay money is involved;
- (h) Amounts not paid IHFCo when due will bear interest on the unpaid balance at the lower of one and one-half percent (1-1/2%) per month or the maximum lawful rate; and
- (i) This Lease binds the parties, their respective heirs, personal representatives, successors and assigns.

Filename: kellerexhibit311.htm
Type: EX-31
Comment/Description: Exhibit 31.1

(this header is not part of the document)

Exhibit 31.1

CERTIFICATION

I, Keith Williams, Chief Executive Officer of The Keller Manufacturing Company, Inc. ("Keller") certify that:

1. I have reviewed this report on Form 10-Q of Keller;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) [clause omitted pursuant to SEC Release Nos. 33-8238 and 34-47986] for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Keith Williams

Signature of CEO

Keith Williams

November 14, 2003

Filename: kellerexhibit312.htm
Type: EX-31
Comment/Description: Exhibit 31.2

(this header is not part of the document)

Exhibit 31.2

CERTIFICATION

I, David T. Richardson, Chief Financial Officer of The Keller Manufacturing Company, Inc. ("Keller") certify that:

1. I have reviewed this report on Form 10-Q of Keller;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) [clause omitted pursuant to SEC Release Nos. 33-8238 and 34-47986] for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David T. Richardson

Signature of CFO

David T. Richardson

November 14, 2003

Filename: kellerexhibit321.htm
Type: EX-32
Comment/Description: Exhibit 32.1

(this header is not part of the document)

THE KELLER MANUFACTURING COMPANY, INC.
Form 10-Q

Exhibit 32.1

**CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Keith Williams, the CEO of The Keller Manufacturing Company, Inc., certify, pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that (i) the Quarterly Report on Form 10-Q for the period ending September 30, 2003 (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of The Keller Manufacturing Company, Inc.

/s/ Keith Williams

Signature of CEO

Keith Williams

November 14, 2003

Filename: kellerexhibit322.htm
Type: EX-32
Comment/Description: Exhibit 32.2

(this header is not part of the document)

THE KELLER MANUFACTURING COMPANY, INC.
Form 10-Q

Exhibit 32.2

**CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, David T. Richardson, the CFO of The Keller Manufacturing Company, Inc., certify, pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that (i) the Quarterly Report on Form 10-Q for the period ending September 30, 2003 (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of The Keller Manufacturing Company, Inc.

/s/ David T. Richardson

Signature of CFO

David T. Richardson

November 14, 2003