

Unaudited Financial Statements

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

June 30, 2008 and December 31, 2007

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2008 (Unaudited)	DECEMBER 31, 2007
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 965	\$ 12,697
Accounts receivable - net	614,651	634,673
Inventories	656,033	434,887
Prepaid expenses and other assets	83,798	68,523
Deferred Income Taxes	35,000	35,000
Total Current Assets	1,390,447	1,185,780
PROPERTY, PLANT AND EQUIPMENT - net	301,345	196,552
DEFERRED INCOME TAXES	215,000	215,000
Goodwill	703,444	703,444
TOTAL ASSETS	\$ 2,610,236	\$ 2,300,776
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>		
CURRENT LIABILITIES:		
Checks issued in excess of deposits	\$ 79,091	\$ 79,906
Line of Credit	353,263	176,010
Accounts payable	344,636	150,917
Accrued expenses	237,480	312,902
Current maturities of notes payable	60,673	28,854
Total Current Liabilities	1,075,143	748,589
Notes Payable, less current portion	500,661	373,146
TOTAL LIABILITIES	1,575,804	1,121,735
MINORITY INTEREST	-	8,987
STOCKHOLDERS' EQUITY:		
Common Stock	462,973	462,973
Deferred stock compensation	29,190	29,190
Retained earnings	677,891	1,845,620
Net Income (Loss)	(135,622)	(1,167,729)
Total Stockholders' Equity	1,034,432	1,170,054
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,610,236	\$ 2,300,776

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

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

	THREE MONTHS ENDED JUNE 30, 2008 (Unaudited)	SIX MONTHS ENDED JUNE 30, 2008 (Unaudited)
NET SALES	\$ 1,246,834	\$ 2,156,641
COST OF GOODS SOLD	<u>927,732</u>	<u>1,715,330</u>
GROSS PROFIT	319,102	441,311
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>314,853</u>	<u>650,701</u>
OPERATING LOSS	4,249	(209,390)
OTHER INCOME (EXPENSE), NET	<u>(11,639)</u>	<u>64,781</u>
NET INCOME (LOSS) BEFORE MINORITY INTEREST	(7,390)	(144,609)
MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARY	<u>-</u>	<u>8,987</u>
NET INCOME (LOSS)	\$ (7,390)	\$ (135,622)

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2008

	(Unaudited)
OPERATING ACTIVITIES:	
Net Income (Loss)	\$ (135,622)
Adjustments to reconcile net income (loss) to net cash used in operating activities:	
Depreciation and amortization	24,000
Change in minority interest	(8,987)
Changes in Assets and Liabilities:	
Accounts receivable	20,022
Inventory	(221,146)
Prepaid expenses and other current assets	(15,275)
Checks issued in excess of cash on deposit	(815)
Accounts payable	193,719
Accrued expenses	(75,422)
Net Cash Provided By (Used In) Operating Activities	<u>(219,526)</u>
INVESTING ACTIVITIES:	
Purchases of property and equipment	(128,793)
Net Cash Provided By (Used In) Investing Activities	<u>(128,793)</u>
FINANCING ACTIVITIES:	
Net borrowings under bank credit arrangements	336,587
Net Cash Provided By (Used In) Financing Activities	<u>336,587</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,732)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>12,697</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 965</u>