

Unaudited Financial Statements

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

September 30, 2008 and December 31, 2007

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, <u>2008</u> (Unaudited)	DECEMBER 31, <u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 1,104	\$ 12,697
Accounts receivable - net	641,130	634,673
Inventories	775,618	434,887
Prepaid expenses and other assets	104,310	68,523
Deferred Income Taxes	35,000	35,000
Total Current Assets	1,557,162	1,185,780
PROPERTY, PLANT AND EQUIPMENT - net	420,896	196,552
DEFERRED INCOME TAXES	215,000	215,000
Goodwill	703,444	703,444
TOTAL ASSETS	\$ 2,896,502	\$ 2,300,776
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>		
CURRENT LIABILITIES:		
Checks issued in excess of deposits	\$ 34,496	\$ 79,906
Line of Credit	595,575	176,010
Accounts payable	463,529	150,917
Accrued expenses	270,461	312,902
Current maturities of notes payable	61,528	28,854
Total Current Liabilities	1,425,589	748,589
Notes Payable, less current portion	504,509	373,146
TOTAL LIABILITIES	1,930,098	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)	(203,650)	(1,167,729)
Total Stockholders' Equity	966,404	1,170,054
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,896,502	\$ 2,300,776

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2008

	THREE MONTHS ENDED SEPTEMBER 30, 2008 (Unaudited)	NINE MONTHS ENDED SEPTEMBER 30, 2008 (Unaudited)
NET SALES	\$ 1,114,021	\$ 3,270,662
COST OF GOODS SOLD	<u>919,092</u>	<u>2,634,422</u>
GROSS PROFIT	194,929	636,240
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>296,971</u>	<u>947,672</u>
OPERATING LOSS	(102,042)	(311,432)
OTHER INCOME (EXPENSE), NET	<u>34,014</u>	<u>98,795</u>
NET INCOME (LOSS) BEFORE MINORITY INTEREST	(68,028)	(212,637)
MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARY	<u>-</u>	<u>8,987</u>
NET INCOME (LOSS)	\$ (68,028)	\$ (203,650)

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

	(Unaudited)
OPERATING ACTIVITIES:	
Net Income (Loss)	\$ (203,650)
Adjustments to reconcile net income (loss) to net cash used in operating activities:	
Depreciation and amortization	36,000
Change in minority interest	(8,987)
Changes in Assets and Liabilities:	
Accounts receivable	(6,457)
Inventory	(340,731)
Prepaid expenses and other current assets	(35,787)
Checks issued in excess of cash on deposit	(45,410)
Accounts payable	312,612
Accrued expenses	(42,441)
Net Cash Provided By (Used In) Operating Activities	<u>(334,851)</u>
INVESTING ACTIVITIES:	
Purchases of property and equipment	(260,344)
Net Cash Provided By (Used In) Investing Activities	<u>(260,344)</u>
FINANCING ACTIVITIES:	
Net borrowings under bank credit arrangements	583,602
Net Cash Provided By (Used In) Financing Activities	<u>583,602</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,593)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>12,697</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,104</u>