

Unaudited Financial Statements

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

September 30, 2009 and December 31, 2008

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
SEPTEMBER, 2009 AND 2008 AND DECEMBER 31, 2008

| | SEPTEMBER 30, | | DECEMBER 31, |
|--|---------------------|---------------------|---------------------|
| | <u>2009</u> | <u>2008</u> | <u>2008</u> |
| | (Unaudited) | | |
| <u>ASSETS</u> | | | |
| CURRENT ASSETS: | | | |
| Cash | \$ 18,673 | \$ 1,104 | \$ 4,366 |
| Accounts receivable - net | 517,818 | 641,130 | 509,247 |
| Inventories | 774,992 | 775,618 | 739,397 |
| Prepaid expenses and other assets | 162,065 | 104,310 | 113,520 |
| Deferred Income Taxes | 41,334 | 35,000 | 41,334 |
| Total Current Assets | 1,514,882 | 1,557,162 | 1,407,864 |
| PROPERTY, PLANT AND EQUIPMENT - net | 348,884 | 420,896 | 414,827 |
| DEFERRED INCOME TAXES | 208,666 | 215,000 | 208,666 |
| Goodwill | 703,444 | 703,444 | 703,444 |
| TOTAL ASSETS | \$ 2,775,876 | \$ 2,896,502 | \$ 2,734,801 |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u> | | | |
| CURRENT LIABILITIES: | | | |
| Checks issued in excess of deposits | \$ - | \$ 34,496 | \$ - |
| Line of Credit | 608,393 | 595,575 | 558,691 |
| Accounts payable | 507,473 | 463,529 | 376,601 |
| Deferred Income Tax | - | - | - |
| Accrued expenses | 100,304 | 270,461 | 218,728 |
| Current maturities of notes payable | 294,056 | 61,528 | 92,456 |
| Total Current Liabilities | 1,510,226 | 1,425,589 | 1,246,476 |
| Notes Payable, less current portion | 516,269 | 504,509 | 592,897 |
| TOTAL LIABILITIES | 2,026,495 | 1,930,098 | 1,839,373 |
| MINORITY INTEREST | | - | - |
| STOCKHOLDERS' EQUITY: | | | |
| Common Stock | 530,964 | 462,973 | 530,964 |
| Deferred stock compensation | 29,190 | 29,190 | 29,190 |
| Retained earnings | 335,274 | 677,891 | 335,274 |
| Distributions | - | - | - |
| Net Income (Loss) | (146,047) | (203,650) | - |
| Total Stockholders' Equity | 749,381 | 966,404 | 895,428 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 2,775,876 | \$ 2,896,502 | \$ 2,734,801 |

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

| | NINE MONTHS ENDED <u>SEPTEMBER 30, 2009</u> (Unaudited) | NINE MONTHS ENDED <u>SEPTEMBER 30, 2008</u> (Unaudited) |
|---|--|--|
| NET SALES | \$ 2,737,639 | \$ 3,270,662 |
| COST OF GOODS SOLD | <u>2,132,089</u> | <u>2,634,422</u> |
| GROSS PROFIT | 605,550 | 636,240 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | <u>715,054</u> | <u>947,672</u> |
| OPERATING LOSS | (109,504) | (311,432) |
| OTHER INCOME (EXPENSE), NET | <u>(36,543)</u> | <u>98,795</u> |
| NET INCOME (LOSS) BEFORE MINORITY INTEREST | (146,047) | (212,637) |
| MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARY | <u>-</u> | <u>8,987</u> |
| NET INCOME (LOSS) | <u>\$ (146,047)</u> | <u>\$ (203,650)</u> |

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(Unaudited)

OPERATING ACTIVITIES:

| | | |
|---|-----------|-----------------------------|
| Net Income (Loss) | \$ | (146,047) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | | 76,008 |
| Change in minority interest | | - |
| Changes in Assets and Liabilities: | | |
| Accounts receivable | | (8,571) |
| Inventory | | (35,595) |
| Prepaid expenses and other current assets | | (48,545) |
| Checks issued in excess of cash on deposit | | - |
| Accounts payable | | 130,872 |
| Accrued expenses | | (118,424) |
| Net Cash Provided By (Used In) Operating Activities | | <u>(150,302)</u> |
| INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | | (10,065) |
| Net Cash Provided By (Used In) Investing Activities | | <u>(10,065)</u> |
| FINANCING ACTIVITIES: | | |
| Shareholder's Note | | 201,600 |
| Net borrowings under bank credit arrangements | | (26,926) |
| Net Cash Provided By (Used In) Financing Activities | | <u>174,674</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 14,307 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | | <u>4,366</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ | <u><u>18,673</u></u> |