THE KELLER MANUFACTURING COMPANY, INC.

July 24, 2009

Information Provided Pursuant to
Rule 15c2-11 of the Securities and
Exchange Act of 1934

DISCLOSURE STATEMENT

PURSUANT TO RULE 15c2-11

OF THE SECURITIES AND EXCHANGE ACT OF 1934

Current Information Regarding

THE KELLER MANUFACTURING COMPANY, INC.

The following information regarding The Keller Manufacturing Company, Inc. (the "Company") is provided to assist broker-dealers trading in the securities of the Company to comply with Rule 15c2-11(a)(5) of the Securities Exchange Act of 1934.

(i) THE EXACT NAME OF THE ISSUER AND ITS PREDECESSORY (IF ANY)

The exact name of the Company is:

The Keller Manufacturing Company, Inc.

also formerly known as Keller Furniture, Inc.

The exact name of the Company's subsidiary is:

Paragon Door Designs, Inc.

(ii) THE ADDRESS OF ITS PRINCIPAL EXECUTIVE OFFICES

The Company maintains its principal office at:

7845 National Turnpike, Suite 150, Louisville, KY 40214

www.kellermanufacturing.com 502/363-2188

The Company's subsidiary maintains its principal office at:

7845 National Turnpike, Suite 150, Louisville, KY 40214

www.paragondoor.com 502/363-2188

(iii) THE STATE OF INCORPORATION

The Company is incorporated in the State of Indiana.

The Company’s subsidiary is incorporated in the State of Kentucky.

(iv) THE EXACT TITLE AND CLASS OF THE SECURITY

The Company's Common Stock is traded over the counter on

the Pink Sheets “KMFI” or “KMFI.pk”

(v) THE PAR OR STATED VALUE OF THE SECURITY

The Company's Common Stock has no par or stated value.

(vi) THE NUMBER OF SHARES OR TOTAL AMOUNT OF THE SECURITIES OUTSTANDING AS OF THE END OF THE ISSUER'S MOST RECENT FISCAL YEAR

As of December 31, 2008, the Company had a total of 5,109,706 shares of Common Stock issued and outstanding. As of December 31, 2007, the Company had a total of 4,965,224 shares of Common stock issued and outstanding.

(vii) NAME AND ADDRESS OF THE TRANSFER AGENT

The transfer agent for the Company is Computershare Investor Services 350 Indiana Street, Suite 800, Golden, CO 80401 www.computershare.com 303/262-0600

(viii) THE NATURE OF THE ISSUER'S BUSINESS

In January of 2005 the Company announced that it was offering its furniture operations and assets for sale and that it would look for a new operating business to purchase or start. Formerly, the Company was a marketer, importer, and distributor of solid wood bedroom and dining room furniture. The Company no longer maintains any assets related to its former furniture business.

In January of 2006 Keller purchased an 85.3% equity interest in Louisville-based Paragon Door Designs, Inc. www.paragondoor.com. Paragon manufactures entryway products, custom steel and fiberglass residential entry doors and storm doors which are sold through a network of window and door dealers, remodelers, and home centers in more than 25 states. Keller currently owns 83.9% of Paragon Door Designs, Inc. The balance of the shares are owned by the founder who is the President and

CEO of Paragon. Keller has no employees or operations other than its equity interest in Paragon.

(ix) THE NATURE OF PRODUCTS AND SERVICES OFFERED

See (viii).

(x) THE NATURE AND EXTENT OF THE ISSUER'S FACILITIES

Keller maintains its corporate offices at the offices of its subsidiary, Paragon Door Designs

Paragon maintains and leases its offices and manufacturing operations of approximately 43,200 square feet in the Louisville Industrial Center. The lease term is through February 28, 2009.

(xi) THE NAMES OF THE CHIEF EXECUTIVE OFFICER AND MEMBERS OF THE BOARD OF DIRECTORS

Name	Position	Director Since
S. Oden Howell, Jr.	Director & Chairmen of the Board	2005
Ronald W. Humin	Director & Secretary	1991
David N. Burks	Director	2009

(xii) THE ISSUER'S MOST RECENT BALANCE SHEET, PROFIT AND LOSS AND RETAINED EARNINGS STATEMENTS

A shareholder letter dated July 24, 2009 is attached which includes the 2008 reviewed consolidated financial statements and the first quarter 2009 unaudited consolidated financial statements.

(xiii) SIMILAR FINANCIAL INFORMATION FOR SUCH PART OF THE TWO (2) PRECEDING FISCAL YEARS AS THE ISSUER OR ITS PREDECESSOR HAS BEEN IN EXISTENCE

The Company's previous financial statements are available via the SEC's Edgar database at www.sec.gov and at the Company's web site www.kellermanufacturing.com.

Shareholder Letter

July 24, 2009

The Keller Manufacturing Company, Inc.
7845 National Turnpike, Suite 150, Louisville, KY 40214
www.kellermanufacturing.com

The purpose of this shareholder letter is to provide an update on what has happened at Keller since our last shareholder letter dated June 16, 2008, to provide 2008 reviewed consolidated financial statements, and to provide unaudited financial statements for the first quarter of 2009. We have posted this letter, other shareholder letters, press releases, and financial statements on our web site (www.kellermanufacturing.com) for your reference.

The Keller Manufacturing Company, Inc.'s ("Keller") major asset remains its 84% equity interest in Louisville based Paragon Door Designs, Inc. ("Paragon"). Founded in 1993, Paragon manufactures entryway products, custom steel and fiberglass residential entry doors and storm doors, with a variety of glass styles and finishes. Paragon sells through a network of window and door dealers, remodelers, and home centers in more than 25 states. Paragon founder, President and CEO David N. Burks, an industry veteran with over 30 years of experience, owns all of the issued and outstanding shares of stock of Paragon not otherwise owned by Keller. For more information about the products offered by Paragon, please visit www.paragondoor.com.

In 2008 the Keller Board of Directors determined that, because Keller is no longer a reporting public company, audited financial statements are no longer required to be distributed. Based on that determination, the Board has decided to move to annual financial reviews by its CPA firm of Strothman & Company, P.S.C. The 2008 reviewed consolidated financial statements show a loss of ($342,617), with ($186,752) of that loss contributed by its subsidiary, Paragon. Keller's 2009 first quarter unaudited consolidated financial statements show a loss of ($97,271), down from a loss of ($128,231) for the first quarter of 2008. The loss in 2008 resulted from the economic downturn; and losses experienced in the first quarter of 2009 have resulted from a combination of the continued economic downturn and from seasonal cycles in the remodeling industry.

In the first half of 2008, Paragon made two acquisitions. In February the storm door manufacturing assets of Medlin Custom Woodworking, Inc. were acquired and in June the exclusive rights to the Radiance Entry Systems product line and customer base were acquired from J.J. Moore Sales, Inc. Both the storm door manufacturing operations and the Radiance product line continue to be developed and management believes that these products and capabilities will contribute to Paragon's future growth. In addition to these acquisitions, Paragon invested in new computer software to run its manufacturing and order entry operations. The software was initially purchased in 2007 and implemented in 2008. These capital investments, coupled with the economic downtown in the second half of 2008, negatively impacted cash and created the need for additional bank borrowings. To extend additional debt to Keller and Paragon, the bank required personal guarantees for all new and outstanding Paragon debt. As a result of these increases to its various credit facilities, several Keller shareholders and directors were asked to and agreed to provide $942,829 in loan guarantees, which represented the total amount of Paragon's equipment loan and maximum availability of its line of credit. Those individuals guaranteeing this loan will receive stock warrants annually to which they can purchase shares of Keller's common stock for $.01 per share, commensurate with their guarantee. The warrants are fully vested and, in the aggregate, are exercisable into shares of Keller's common stock at any time during the next 10 years. During 2008, 94,282 of these warrants were issued and exercised. Paragon is currently not compliant with the Minimum Debt Service Coverage and Maximum Debt to Tangible Net Worth covenants contained in its bank loan agreements, and has received a waiver of these covenants from the bank through the end of 2009. Shareholders should be aware, with current economic conditions, the renewals and terms of the company's loans could change and/or be at risk.

The year 2008 and the first quarter of 2009 have been challenging periods for Keller and Paragon. General economic conditions caused contraction in consumer spending and tightening of bank lending to homeowners and have had a negative impact on sales. In the first two quarters of 2009 Paragon has experienced negative cash flow resulting from inventory increases in anticipation of order demand from several new customers and introduction of a new storm door product. To assist the company through this period, several Keller shareholders have extended $200,000 in personal loans to Paragon. Repayment of these loans and the associated interest payments have been subordinated to the bank debt.

In December, 2007 Keller entered into a $400,000 settlement agreement with the Pension Benefit Guaranty Corporation (“PBGC”), settling all liabilities of Keller and its subsidiary, Paragon, with respect to its Employee’s Pension Plan. To fund this settlement payment, Keller arranged for a loan in that amount. To obtain the loan several Keller shareholders and directors were asked to and agreed to guarantee the loan. The loan will be paid by the distribution of dividend income of Paragon to Keller as dividends are made to all Paragon shareholders. Those individuals guaranteeing this loan will receive stock warrants annually to which they can purchase shares of Keller’s common stock for $.01 per share, commensurate with their guarantee. The warrants are fully vested and, in the aggregate, are exercisable into shares of Keller’s common stock at any time during the next 10 years. During 2008, 40,200 of these warrants were issued and exercised. At the end of the first quarter of 2009, the principal balance of the Keller note was $365,520.

In addition to the exercise of the warrants for the above noted guarantees, 10,000 warrants from 2006 were exercised in 2008. Keller's total outstanding shares increased in 2008 from 4,965,224 to 5,109,706. Keller also has additional unexercised warrants outstanding, as disclosed in the footnotes to the 2008 reviewed financial statements.

In August, 2008 the Keller Board of Directors elected the following officers - S. Oden Howell, Jr. as Chairman, David N. Burks as President and Ronald W. Humin as Secretary. In February, 2009 John C. Schenkenfelder, citing other obligations, resigned his directorship with Keller and Paragon. In May, 2009 the Keller's Board of Directors elected David N. Burks, President of both Keller and Paragon to serve the remainder of Mr. Schenkenfelder's term. The members of both Keller's and Paragon's Board of Directors do not receive compensation for their services. At this time, Keller has no employees and no remaining compensation obligations to former employees. All of Keller’s office and warehouse leases have terminated. Keller maintains its corporate offices at the offices of its subsidiary, Paragon Door Designs.

Shareholders should anticipate that moving forward there will only be mailings for annual financial results and notice of Shareholder meeting. Quarterly results will be posted on Keller's website (www.kellermanufacturing.com).

In light of all that is herein reported, Keller shareholders should not anticipate any dividend distributions in the near term.

Keller shares trade on the Pink Sheets over-the-counter market under the symbol “KMFI” or “KMFI.pk”. Shares can be bought or sold by contacting a licensed broker dealer since there are several market makers for Keller shares.

Sincerely,

S. Oden Howell Jr.
Chairman of the Board of Directors
The Keller Manufacturing Company, Inc.

Strothman & Company P S C

Certified Public Accountants & Advisors

Consolidated Financial Statements
and Consolidating Information

The Keller Manufacturing Company, Inc. and Subsidiary

December 31, 2008 and 2007

Consolidated Financial Statements
and Consolidating Information

The Keller Manufacturing Company, Inc. and Subsidiary

December 31, 2008 and 2007

Strothman & Company P S C
Certified Public Accountants & Advisors

1600 Waterfront Plaza
325 West Main Street
Louisville, Kentucky 40202-4251

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Independent Accountants' Report

Board of Directors
The Keller Manufacturing Company, Inc. and Subsidiary
Louisville, Kentucky

We have reviewed the accompanying consolidated balance sheets of The Keller Manufacturing Company, Inc. and Subsidiary (the "Company") as of December 31, 2008 and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American institute of Certified Public Accountants. All information included in these consolidated financial statements are the responsibility of the Company's management.

A review consists principally of inquires of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2008 financial statements in order for them to be in conformity with generally accepted accounting principles.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The consolidating information as of December 31, 2008 for the year then ended, is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

The financial statements for the year ended December 31, 2007 were audited by us and we expressed an unqualified opinion on them in our report dated February 25, 2008, but we have no performed any auditing procedures since that date.

STROTHMAN & COMPANY PSC

Louisville, Kentucky
May 8, 2009

Consolidated Balance Sheets

The Keller Manufacturing Company, Inc. and Subsidiary

	December 31	
	2008	**2007**
	(Reviewed)	**(Audited)**
Assets		
Current Assets		
Cash and cash equivalents	$ 4,366	$ 12,697
Accounts receivable, less allowance for doubtful accounts of $79,439 for 2008 $48,000 for 2007	509,247	634,673
Inventories	739,397	434,887
Prepaid expenses and other assets	113,520	68,523
Deferred income taxes	41,334	35,000
Total Current Assets	1,407,864	1,185,780
Property and Equipment, net	414,827	196,552
Deferred Income Taxes	208,666	215,000
Goodwill	703,444	703,444
Total Assets	$ 2,734,801	$ 2,300,776
Liabilities and Stockholders' Equity		
Current Liabilities		
Checks issued in excess of deposits		$ 79,906
Line of credit	$ 558,691	176,010
Accounts payable	376,601	150,917
Accrued expenses	218,728	312,902
Current maturities of notes payable	92,456	28,854
Total Current Liabilities	1,246,476	748,589
Notes Payable, less current portion	592,897	373,146
Total Liabilities	1,839,373	1,121,735
Minority Interest		8,987
Stockholders' Equity		
Common Stock, no par value, 40,000,000 shares authorized, 5,109,706 and 4,965,224, respectively, shares issued and outstanding	530,964	462,973
Additional paid-in capital	29,190	29,190
Retained earnings	335,274	677,891
Total Stockholders' Equity	895,428	1,170,054
Total Liabilities and Stockholders' Equity	$ 2,734,801	$ 2,300,776

See Accountants' Review Report
and Notes to Consolidated Financial Statements

Consolidated Statements of Operations and Other Comprehensive Income (Loss)

The Keller Manufacturing Company, Inc. and Subsidiary

	Year Ended December 31	
	2008 (Reviewed)	**2007 (Audited)**
Net Sales	$ 4,311,940	$ 4,729,716
Cost of Goods Sold	3,242,115	3,435,591
Gross Profit	1,069,825	1,294,125
Selling, General and Administrative Expenses	1,394,391	1,216,794
Operating Income (Loss)	(324,566)	77,331
Effect of Pension Plan Termination		(1,487,521)
Other Income (Expense), Net	(20,759)	15,047
Net Loss Before Income Taxes	(345,325)	(1,395,143)
Income Tax Benefit		250,000
Net Loss Before Minority Interest	(345,325)	(1,145,143)
Minority Interest in Loss (Income) of Consolidated Subsidiary	2,708	(22,586)
Net Loss	(342,617)	(1,167,729)
Effect of Pension Plan Termination		5,675,177
Total Other Comprehensive Income (Loss)	$ (342,617)	$ 4,507,448

See Accountants' Review Report
and Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Stockholders' Equity

The Keller Manufacturing Company, Inc. and Subsidiary

Years Ended December 31, 2008 (Reviewed) and 2007 (Audited)

	Common Stock		Additional		Accumulated Other	Total
	Outstanding Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive Loss	Stockholders' Equity
Balances at January 1, 2007	4,920,224	$ 450,823	$ 29,190	$ 1,845,620	$ (5,675,177)	$ (3,349,544)
Net loss				(1,167,729)		(1,167,729)
Other comprehensive loss: Settlement of pension liability					5,675,177	5,675,177
Stock options and warrants issued			11,700			11,700
Stock issuance	45,000	12,150	(11,700)			450
Balances at December 31, 2007	4,965,224	462,973	29,190	677,891		1,170,054
Net loss				(342,617)		(342,617)
Stock options and warrants issued			66,546			66,546
Stock issuance	144,482	67,991	(66,546)			1,445
Balances at December 31, 2008	5,109,706	$ 530,964	$ 29,190	$ 335,274	$	$ 895,428

See Accountants' Review Report
and Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

The Keller Manufacturing Company, Inc. and Subsidiary

	Year Ended December 31 2008 (Reviewed)	2007 (Audited)
Operating Activities		
Net loss	$ (342,617)	$ (1,167,729)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	48,867	42,365
Effect of pension plan termination		1,487,521
Deferred income tax benefit		(250,000)
Allowance for doubtful accounts	31,439	
Noncash stock option compensation	66,546	11,700
Change in minority interest	(8,987)	8,987
Changes in certain operating assets and liabilities		
Accounts receivable	93,987	(148,028)
Inventories	(304,510)	(1,381)
Prepaid expenses and other assets	(44,997)	2,834
Accrued pension liability		(400,000)
Checks issued in excess of deposits	(79,906)	79,906
Accounts payable	225,684	(33,881)
Accrued expenses	(94,174)	88,826
Net Cash Used In Operating Activities	(408,668)	(278,880)
Investing Activities		
Purchase of equipment	(267,142)	(129,820)
Financing Activities		
Issuance of common stock	1,445	450
Net borrowings under line of credit agreement	382,681	(21,990)
Proceeds from long-term note payable	283,353	402,000
Net Cash Provided By Financing Activities	667,479	380,460
Net Decrease in Cash and Cash Equivalents	(8,331)	(28,240)
Cash and Cash Equivalents Beginning of Year	12,697	40,937
Cash and Cash Equivalents End of Year	$ 4,366	$ 12,697
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 49,603	$ 21,117

See Accountants' Review Report
and Notes to Consolidated Financial Statements

Note A--Basis of Presentation and Nature of Business

In 2006, the Company bought approximately 85% of the Common Stock of a Louisville, Kentucky based door manufacturing company, Paragon Door Designs, Inc. All remaining shares of Paragon are owned by its President and Founder. The consolidated financial statements include the accounts of The Keller Manufacturing Company, Inc. and its subsidiary, Paragon Door Designs, Inc. ("Paragon") (collectively referred to as the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

The Company manufactures custom entry doors and distributes storm doors for residential use. The Company primarily serves independent retailers and distributors located predominantly in the midwest and northeast United States.

Note B--Summary of Significant Accounting Policies

Cash and Cash Equivalents--Cash and cash equivalents are defined as cash in banks and investment instruments having maturities of three months or less from their acquisition date. The Company maintains its cash in commercial bank accounts. These cash accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. The Company has no cash in excess of insured amounts at December 31, 2008. At December 31, 2007, the Company had approximately $313,000 of cash in excess of insured amounts.

Accounts Receivable--The Company allows for estimated losses on accounts receivable based on prior bad debt experience and a review of existing receivables. Uncollectible accounts receivable are charged against the allowance account as realized.

Inventories--Inventories are stated at lower of cost, using the first-in, first-out ("FIFO") method, or market.

Property and Equipment--Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

Impairment of Property and Equipment--In accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company performs a review 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 disposal is less than its carrying amount.

Goodwill--The Company has classified as goodwill the excess of the purchase price of Paragon over the fair value of identifiable net assets acquired. On an annual basis, the Company evaluates goodwill for any impairment and adjusts it to reflect any impairment losses. No such adjustment was required for 2008 or 2007.

Continued

Note B--Summary of Significant Accounting Policies--Continued

Stock-Based Compensation--The Company has a stock-based compensation plan, which is described more fully in Note I. The Company measures compensation expense using the intrinsic-value-based method. Under the intrinsic-value-based method of accounting for stock option plans, compensation cost is the excess, if any, of the quoted market price of the stock at the grant date over the amount an employee must pay to acquire the stock.

Revenue Recognition--Sales are recorded when goods are shipped. The Company provides for estimated customer returns and allowances by reducing sales in the period of the sale.

Shipping Costs--Shipping costs, billed to customers as revenue, are included in the cost of goods sold.

Advertising--The Company expenses advertising costs as they are incurred. Advertising and promotion expense for 2008 and 2007 was $53,767 and $67,866, respectively.

Income Taxes--The Company follows the provisions of SFAS No. 109, *Accounting for Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the consolidated financial statements or income tax return. A valuation allowance is recorded if management believes future deferred tax assets may not be realized.

Estimates--The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make assumptions regarding estimates 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 those estimates.

Accounting for Uncertain Tax Positions--The determination of uncertain tax positions for financial statements uses the tax judgments reported on the Company's tax returns which were based on the requirements for filing tax returns under the various taxing authority requirements for the applicable fiscal period. These filings may be subject to amendment or change during an examination by the various taxing authorities, which has not been considered in the determination of the Company's tax assets or liabilities included in those financial statements.

In June 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes." FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3 which allows deferral of FIN 48 for nonpublic enterprises included within this FSP's scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Company has elected to defer implementation of FIN 48 to its annual financial statements ending on December 31, 2009. The Company does not expect that the adoption of FIN 48 will have a material effect on its financial position, results of operations or cash flows.

Note C--Inventories

Inventories consist of the following at December 31:

	2008	2007
Raw materials	$ 697,859	$ 419,105
Finished goods	41,538	15,782
	$ 739,397	$ 434,887

Note D--Property and Equipment

Property and equipment consists of the following at December 31:

	2008	2007
Machinery and equipment	$ 245,101	$ 165,807
Furniture and fixtures	10,428	10,428
Software	280,729	92,880
Leasehold improvements	19,855	19,855
	556,112	288,970
Less accumulated depreciation and amortization	141,285	92,418
Property and Equipment, Net	$ 414,827	$ 196,552

Note E--Line of Credit

The Company maintains a revolving line of credit with a Old National Bank whereby the Company may borrow up to $625,000, of which $558,691 and $176,010 was outstanding as of December 31, 2008 and 2007, respectively. Interest is payable monthly at the prime rate minus one percent (2.25% at December 31, 2008). The borrowing agreement contains certain restrictive covenants, including financial covenants, such as the maintenance of certain financial ratios. At December 31, 2008, the Corporation was not in compliance with one of these covenants, but has received a waiver from the bank through September 2009. Management believes they will be in compliance with the covenants subsequent to the waiver period. The line of credit is collateralized by the Company's inventory, accounts receivable and equipment. The borrowing agreement expires on May 18, 2009. If the Company is not able to renew this line of credit or obtain alternative financing, it could have a material adverse effect on the Company.

Note F--Notes Payable

The Company's notes payable consists of the following at December 31:

	2008	2007
Note payable to Old National Bank in quarterly installments of $14,057, with one final payment of $249,575 at December 2012, including interest at 6.9%	$ 373,146	$ 402,000
Note payable to Old National Bank in monthly installments of $6,305, with one final payment of $5,786 at June 2013, including interest at 3.00%	312,207	
	685,353	402,000
Less current maturities	92,456	28,854
	$ 592,897	$ 373,146

The notes described above are collateralized by substantially all assets owned by the Company. Additionally, certain stockholders of the Company have personally guaranteed the loan. The loan agreement contains a subjective acceleration clause which allows the bank to demand payment of the note if the bank determines that a material adverse change has occurred to the Company, or the bank deems itself insecure. The Bank has not demanded payment under the subjective acceleration clause. The borrowing agreements contain certain restrictive covenants, including financial covenants, such as the maintenance of certain financial ratios. At December 31, 2008, the Corporation was not in compliance with one of these covenants, but has received a waiver from the bank through September 2009. Management believes they will be in compliance with the covenants subsequent to the waiver period.

Future maturities of the notes payable are as follows:

Year Ending December 31	
2009	$ 92,456
2010	102,230
2011	106,712
2012	346,953
2013	37,002
	$ 685,353

Note G--Income Taxes

The components of deferred tax assets and liabilities are as follows:

	December 31	
	2008	**2007**
Deferred tax current assets:		
Allowances and accruals	$ 42,000	$ 35,000
Deferred tax noncurrent assets:		
Net operating loss carryforwards	$ 8,762,000	$ 8,873,000
Deferred tax noncurrent liabilities	(21,000)	(50,000)
	8,741,000	8,823,000
Less valuation allowance	(8,533,000)	(8,608,000)
Net Deferred Tax Long-Term Assets	$ 208,000	$ 215,000

The Company has net operating loss carryforwards of approximately $22 million, of which the majority will expire in 2023 through 2025.

Previously, management had recorded a valuation allowance for the entire amount of net deferred tax assets arising from net operating loss carryforwards and other items. With the settlement of the pension plan liability during 2007, management has determined that it is appropriate to adjust the valuation allowance in anticipating of the future use of a portion of the net operating loss carryforwards.

Note H--Retirement Plans

Defined Benefit Pension Plan

The Company had a defined benefit pension plan that provided benefits to certain former employees. In April 2006, the Company filed a distress termination application with the Pension Benefit Guaranty Corporation ("PBGC"). As a result of the termination proceedings, a settlement agreement was reached with the PBGC in December 2007 whereby the Company was required to pay $400,000 for complete satisfaction of their liabilities in connection with the plan.

Defined Contribution Savings Plans

Paragon has a profit sharing plan which covers employees who have completed one year of service. Company contributions are determined annually at the discretion of the Company. No contributions were made to the profit sharing plan for the year ended December 31, 2008. The Company contributed approximately $57,000 for the year ended December 31, 2007.

Note I--Stock Options and Warrants

In August 2003, the Board of Directors approved The Keller Manufacturing Company, Inc. Amended and Restated 2003 Stock Option Plan. Under the terms of the plan, the Company is authorized to grant options of common shares to certain key management employees. In addition, warrants were issued in connection with the guarantee of the line of credit during 2006. Warrants were also issued in connection with the guarantee of notes payable during 2007. For 2008 and 2007, the Company recorded approximately $68,000 and $11,700, respectively, of deferred stock compensation expense with a credit to stockholders' equity. The Company received approximately $1,400 in cash from the exercise of these options. This amount represents the fair value of stock options and warrants earned during the year.

The following is a summary of the option and warrant transactions under the plan:

	Shares	Weighted Average Exercise Price Per Share
Balance at December 31, 2006	464,750	$ 0.70
Granted	45,000	0.01
Exercised	(45,000)	0.01
Balance at December 31, 2007	464,750	0.23
Granted	144,482	0.46
Exercised	(144,482)	0.01
Balance at December 31, 2008	464,750	0.23

The Black-Scholes option pricing model was used to estimate fair value of the options/warrants as of the date of grant, using the following assumptions:

Weighted average fair value of options/warrants granted	$ 0.01
Dividend yield	-
Risk free interest rate	5.00%
Volatility	32.00%
Expected option term (years)	2

Note J--Lease Commitments

The Company has entered into various operating leases including warehouse/production space, truck, and copier lease agreements. Total lease expense was approximately $140,000 and $129,000 for 2008 and 2007, respectively.

Approximate future minimum lease payments under these operating leases are as follows:

2009	$	27,000
2010		5,000
2011		2,000
2012		2,000
Total Minimum Lease Payments	$	36,000

Consolidating Information

Consolidating Balance Sheet

The Keller Manufacturing Company, Inc. and Subsidiary

December 31, 2008

	The Keller Manufacturing Company, Inc.	Paragon Door Designs, Inc.	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	$ 1,601	$ 2,765		$ 4,366
Accounts receivable, net		509,247		509,247
Receivable from related party		52,550	$ (52,550)	
Inventories		739,397		739,397
Prepaid expenses and other assets		113,520		113,520
Deferred income taxes		41,334		41,334
Total Current Assets	1,601	1,458,813	(52,550)	1,407,864
Property and Equipment				
Machinery and equipment		525,830		525,830
Leasehold improvements		10,428		10,428
Furniture and fixtures		19,854		19,854
		556,112		556,112
Less accumulated depreciation		(141,285)		(141,285)
Property and Equipment, Net		414,827		414,827
Other Assets				
Investment in subsidiary	1,152,214		(1,152,214)	
Deferred income taxes			208,666	208,666
Goodwill			703,444	703,444
Total Other Assets	1,152,214		(240,104)	912,110
Total Assets	$ 1,153,815	$ 1,873,640	$ (292,654)	$ 2,734,801

Continued

Consolidating Balance Sheet--Continued

The Keller Manufacturing Company, Inc. and Subsidiary

December 31, 2008

	The Keller Manufacturing Company, Inc.	Paragon Door Designs, Inc.	Eliminations	Consolidated
Liabilities and Stockholders' Equity				
Current Liabilities				
Line of credit		$ 558,691		$ 558,691
Accounts payable	$ 423	376,178		376,601
Accrued expenses	848	217,880		218,728
Accrued pension				
Payable to related party	52,550		$ (52,550)	
Current maturities of note payable	30,927	61,529		92,456
Total Current Liabilities	84,748	1,214,278	(52,550)	1,246,476
Long-Term Liabilities, less current maturities				
Note payable	342,219	250,678		592,897
Deferred income taxes		20,851	(20,851)	
Total Long-Term Liabilities	342,219	271,529	(20,851)	592,897
Total Liabilities	426,967	1,485,807	(73,401)	1,839,373
Stockholders' Equity				
Common Stock	530,964	270,400	(270,400)	530,964
Additional paid-in capital	29,190	748,137	(748,137)	29,190
Retained earnings (deficit)	166,694	(630,704)	799,284	335,274
Total Stockholders' Equity	726,848	387,833	(219,253)	895,428
Total Liabilities and Stockholders' Equity	$ 1,153,815	$ 1,873,640	$ (292,654)	$ 2,734,801

See Independent Accountants' Report
on Consolidating Information

Consolidating Statement of Operations

The Keller Manufacturing Company, Inc. and Subsidiary

Year Ended December 31, 2008

	The Keller Manufacturing Company, Inc.	Paragon Door Designs, Inc.	Eliminations	Consolidated
Net Sales		$ 4,311,940		$ 4,311,940
Cost of Goods Sold		3,242,115		3,242,115
Gross Profit		1,069,825		1,069,825
Selling, General and Administrative Expenses	$ 108,331	1,286,060		1,394,391
Operating Loss	(108,331)	(216,235)		(324,566)
Equity in Loss of Consolidated Subsidiary	(186,752)		$ 186,752	
Other Income (Expense), Net	30,490	(18,528)	(32,721)	(20,759)
Loss Before Income Taxes and Minority Interest	(264,593)	(234,763)	154,031	(345,325)
Income Tax Benefit		42,673	(42,673)	
Net Loss Before Minority Interest	(264,593)	(192,090)	111,358	(345,325)
Minority Interest in Loss of Consolidated Subsidiary			2,708	2,708
Net Loss	$ (264,593)	$ (192,090)	$ 114,066	$ (342,617)

See Independent Accountants' Report on Consolidating Information

Unaudited Financial Statements

The Keller Manufacturing Company, Inc. and Subsidiary

March 31, 2009 and December 31, 2008

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

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

	MARCH 31, 2009	MARCH 31, 2008	DECEMBER 31, 2008
	(Unaudited)		
ASSETS			
Current Assets			
Cash	$ 24,976	$ 17,924	$ 4,366
Accounts receivable - net	347,793	508,177	509,247
Inventories	763,632	596,050	739,397
Prepaid expenses and other assets	40,615	89,516	113,520
Deferred Income Taxes	41,334	35,000	41,334
Total Current Assets	1,218,350	1,246,667	1,407,864
Property, Plant and Equipment net of accumulated depreciation	421,023	268,266	414,827
Deferred Income Taxes	208,666	215,000	208,666
Goodwill	703,444	703,444	703,444
TOTAL ASSETS	$ 2,551,483	$ 2,433,377	$ 2,734,801
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current Liabilities			
Checks issued in excess of deposits	$ -	$ -	$ -
Line of Credit	615,000	295,711	558,691
Accounts payable	397,351	308,456	376,601
Deferred Income Tax	-	-	-
Accrued expenses	117,463	229,729	218,728
Current maturities of notes payable	40,439	65,164	92,456
Total Current Liabilities	1,170,253	899,060	1,246,476
Notes Payable, less current portion	583,073	493,273	592,897
TOTAL LIABILITIES	1,753,326	1,392,333	1,839,373
Minority Interest	-	-	-
STOCKHOLDERS' EQUITY:			
Common Stock	534,616	462,973	530,964
Deferred stock compensation	29,190	29,190	29,190
Retained earnings	331,623	677,113	335,274
Distributions	-	-	-
Net Income (Loss)	(97,271)	(128,232)	-
Total Stockholders' Equity	798,157	1,041,044	895,428
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,551,483	$ 2,433,377	$ 2,734,801
	-		

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

	THREE MONTHS ENDED MARCH 31, 2009 (Unaudited)	THREE MONTHS ENDED MARCH 31, 2008 (Unaudited)
Net Sales	$ 771,825	$ 909,807
Cost of Goods Sold	615,965	787,597
Gross Profit	155,860	122,210
Selling, General and Administrative Expenses	241,980	335,848
Operating Loss	(86,120)	(213,638)
Other Income (Expenses), Net	(11,151)	76,420
Net Income (Loss) Before Minority Interest	(97,271)	(137,218)
Minority Interest in Income of Consolidated Subsidiary	-	8,987
Net Income (Loss)	$ (97,271)	$ (128,231)

THE KELLER MANUFACTURING COMPANY, INC. and SUBSIDIARY

STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2009

		(Unaudited)
OPERATING ACTIVITIES		
Net Income (Loss)	$	(97,271)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization		23,502
Change in minority interest		-
Changes in Assets and Liabilities		
Accounts receivable		161,454
Inventory		(24,235)
Prepaid expenses and other current assets		72,905
Checks issued in excess of cash on deposit		-
Accounts payable		20,750
Accrued expenses		(101,265)
Net Cash Provided By (Used In) Operating Activities		55,840
INVESTING ACTIVITIES:		
Purchases of property and equipment		(29,698)
FINANCING ACTIVITIES:		
Net borrowings under bank credit arrangements		(5,532)
Net Increase (Decrease) In Cash and Cash Equivalents		20,610
Cash and Cash Equivalents Beginning of Period		4,366
Cash and Cash Equivalents End of Period	$	24,976