Chicago Blower Profit Sharing & 401(k) Plans – Mutual Funds
Participant Quarterly Report – December 31, 2010
Prepared by Compensation & Capital Incorporated

This newsletter is published by Compensation & Capital Incorporated, the independent investment advisor who helped the Plans' Trustees select (and continues to monitor and potentially replace as necessary) the mutual funds made available to you under the Plans. It is distributed in conjunction with release of quarterly Alliance Benefit Group account statements. The newsletter strives to: 1) keep you abreast of the funds' raw performances and rankings compared to their peers, 2) provide timely highlights on individual fund operations, 3) give you a snapshot of performance to date of major financial markets, and 4) share our thoughts on issues relevant to long-term investing for retirement. Your thoughts and questions are appreciated. Please submit any feedback or questions you would like us to explore to us through Gerry Ginter – (630) 858-2600.

Getting Personal With Our National Debt – A Primer on Debt and Deficits:

Of all the human conditions that can rack our very core, irretrievable indebtedness looms large. We see its impact in the pallid faces of friends caught by a brutal recession. We hear it in the new-found humility of European politicians announcing austerity programs to already stretched citizens. Debt saps hope. But more importantly, debt stifles economic growth. And since growth is the best way out of debt, debt seriously restricts our path to recovery.

The capital crisis of 2007 and its resulting recession has forced every debtor, individuals, corporations and nations, to examine their spending and restructure their relationships with debt – every debtor, that is, except the United States. Our country's status as "Lender of Last Resort" and "Reserve Currency to the World" has acted to insulate us for the time being. But cracks in that privilege are beginning to show and will be front and center as our federal government faces its upcoming budget debate. We will each be affected by the implications of Congressional decisions, or lack thereof. Whether in the form of tax increases, benefit and service reductions, inflationary pressures, stubbornly high unemployment, or lower returns on our savings, unpleasant change is inevitable. If we don't force our politicians to force austerity upon us, the markets and our creditors will.

Many of us feel isolated from this "government" problem. We aren't. It belongs to each of us and it's significant. Let's start at the basics. Terms like debt, deficit, GDP (Gross Domestic Product) are the stuff of Econ101. Granted, this will be a very high-level summary of very complicated stuff. But hopefully these plain facts (unadulterated by partisan politics) will personalize your relationship with the issues. We'll close with some recommendations to help you face your share of the problem.

Government "debt" is simply the accumulation of "deficits" in years when our governments spend more than the taxes and fees our legislators extract from us. Federal, state and local governments' debt is about $16 Trillion. Since we are a "government of the people," each *working* American shoulders about $110,000 of this government debt. To complete the American debt picture, add $17T of personal debt (mostly mortgages) and $15T of corporate debt; total: $48T. Each of us knows how much of the personal debt portion we owe.

Though much of the debt we have accumulated is productive "good" debt that enhances capital productivity, "bad" debt hinders our GDP growth. Interest on government debt alone offsets one full year of GDP growth at our 3% current GDP growth rate. This is why total debt *must* shrink. Our national debt and ongoing deficits are not partisan issues. They're national ones for which each of us bear responsibility. How long would you allow your family to spend 40% more than you bring home? Would your bank loan you money to do so? There's one sure way to reduce these deficits: raise taxes AND reduce spending. If you favorite legislator won't do both, try to support one that will.

In conjunction with doing everything we politically can to shrink government deficits that grow "bad" debt, we must continue to curb our personal debt by reducing personal spending and adding to long term savings. Enhancing personal fiscal responsibility allows each of us to reap dual rewards for our efforts: First, we buffer our own households against probable adverse consequences of expanding government debt. Second, we lead our elected officials by example hopefully expelling those that won't meet our personal standards.

Our national debt/deficit issues run deep. They won't be reversed anytime soon no matter what we do. Reframing the government portion of the problem as a personal one while "walking the talk" in our own households might make it easier for each of us to get better invested in the ultimate solution to government deficits.

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CBC Plans' Fund Performance Statistics *(periods ended December 31, 2010)*

Fund Name	Morningstar™ Category: Symbol[1]	10 Yr % Rank[2]	Actual Total Return for: 1 Qtr	YTD	1 Year	Average Annualized for Past: 3 Yrs	5 Yrs	10 Yrs	15 Yrs
Morley CM Stable Value	n/a	n/a	0.6%	2.4%	2.4%	3.0%	3.5%	4.1%	n/a
PIMCO Total Return Fund	(Interm Bond)	4th	-1.0%	8.6%	8.6%	8.8%	7.8%	7.1%	7.0%
Pennsylvania Mutual Fund	SB	15th	15.0%	23.9%	23.9%	3.3%	5.4%	10.2%	11.1%
Fidelity U.S. Equity S&P 500	LB	49th	10.7%	15.0%	15.0%	-2.9%	2.3%	1.3%	6.6%
American Euro-Pacific R3 Fund	I-LB	8th	5.6%	9.1%	9.1%	-3.6%	5.3%	6.4%	8.8%
T.R.Price Mid-Cap Value Fund	MV	8th	10.3%	16.1%	16.1%	3.5%	6.0%	9.7%	n/a
Vanguard Windsor II Fund	LV	36th	9.8%	10.6%	10.6%	-3.8%	1.5%	3.6%	7.6%
Marsico Growth Fund	LG	39th	13.7%	19.2%	19.2%	-4.1%	1.4%	1.4%	n/a
Baron Growth Fund	SG	8th	15.5%	24.0%	24.0%	0.4%	4.5%	8.1%	11.4%
Calamos Growth Fund	LG	3rd	12.5%	20.1%	20.1%	-3.1%	2.6%	4.9%	14.8%

[1] Stock fund categories for example: LV=Large Company Value, SG=Small Company Growth, I-LB=International Large Blend etc.
[2] 1st percentile is best, 100th percentile is worst of all funds *in that particular* Morningstar Category for the 10-year time period.

Quick Reminder: You just got raise in take-home pay! How about goosing your 401(k) contribution?
In the wake of our Page One Commentary on the stifling impact of growing government debt, our first Actionable Recommendation for this new year is to implore you to save more. And we have just the means by which to do so. December's "last minute" federal tax deal resulted in a 2% reduction in the portion of your paycheck withheld to cover Social Security "FICA" taxes: from 2010's 6.2% of gross pay to 4.2% in 2011. This means your take-home pay increased by 2% of gross pay for all of 2011. If you have been able to manage through the recession without adding to personal debt, consider increasing your 401(k) contribution by some or all of this windfall pay increase. If you have added to your debt burden during the recession, use this "raise" to pay down that debt. Either way, try not to spend it. There's no doubt that as America's debt burden continues to drag on economic growth, Americans with less personal debt and more savings will be best positioned to maintain their living standards. Every little bit contributed towards long-term savings is money you won't need to borrow in the future.

Markets Update: Optimism Returns to Cap Off 2010
Though the economy seems stuck in neutral, investors able to weather the storms enjoyed their second year in a row of double digit stock market returns. For 2010, the S&P500 stock index was up 15%; small company growth stocks were up 26%. Almost all of these gains accumulated in the second half of the year when, just as many investors voiced heightened concern that the economy would fall back into recession, economic reports started to show more strength. That strength sent inflation fear tremors through the bond markets beginning in November resulting in U.S. bonds posting their first quarterly loss (down 1.3%) in over two years of big gains.

CBC Plans' Sample Portfolios Update:

Cumulative performance statistics for the three Compensation & Capital *Sample Portfolios* incorporating the CBC Plans' mutual fund alternatives beginning July 1999 – 11½ years ago – are shown here. Our Long-Term Portfolio's total 11½ year cumulative 67.3% *gain* compares very favorably to the 27.9% *gain* produced by the overall stock market, as measured by the Wilshire 5000 for the same period. These two 'portfolios' invest in a comparable range of stocks, but the Sample Portfolio limits risk by diversifying across many different kinds of stocks and some bonds, whereas, the Wilshire 5000 contains only the 5000 largest U.S. corporations' stocks and over-weights the largest corporations. The cumulative statistics shown in the table above assume only an initial investment at the July 1, 1999 start date with no further purchases ongoing. Past *Participant Quarterly Reports* have focused on the structure of each of these portfolios, their appropriate use by various types of investors, and the reasons why plan participants would want to adhere to their guidelines. Further information on the Plans' mutual funds and the Sample Portfolios specifically, is available from Gerry Ginter.

CBC Sample Portfolios Performance thru Dec 31, 2010

(by Investor Time Horizon)	1 Quarter	1 Year	5 Yrs	11½ Yrs
Short-Term (3 to 5 years)	3.1%	8.6%	29.5%	89.0%
Medium-Term (5 to 12 years)	5.9%	12.1%	27.9%	77.3%
Long-Term (12+ Years)	9.4%	15.1%	24.6%	67.3%