To: All Participants in the Company Managed Profit Sharing Pooled Fund
From: Joe Dubeck
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Enclosed is your Profit Sharing account statement detailing Fourth Quarter, 2010 activity in the Company Managed Profit Sharing Pooled Fund (‘PS Pooled Fund’). Compensation & Capital Incorporated, our Plans’ independent investment counsel, has supplied the following comments specific to the PS Pooled Fund’s investment performance, financial market events and investing for retirement in general:

For the trailing periods ending 12/31/2010, the PS Pooled Fund *gained* 6.8% for the fourth quarter of 2010 and *gained* 12.5% for the 12 months comprising 2010. Over multi-year trailing periods through 12/31/2010, it has cumulatively *gained* 3.2% over the past 3 years, and cumulatively *gained* 21.2% over the past 5 years. Since the Plans’ investments restructuring 11½ years ago in July, 1999, the Fund has cumulatively *gained* 42.2%.

Stock markets ended 2010 with a flourish, while bonds finished with a whimper. Though the U.S. economy seemed at best to be stuck in neutral, stock investors able to weather the emotional and recession storms enjoyed their second year in a row of double digit gains. At the conclusion of its strongest year since 1991, the S&P 500 index of the largest U.S. stocks was up 14%. Top performing small-cap stocks surged 24% for 2010. Bonds turned in their third year in a row of slightly above-historical-average annual returns posting a gain of 6.4% including their fourth quarter loss of 1.4%.

The year began with optimism. But after multiple, jarring sell-off’s, including the now-infamous “flash crash” in May, followed by a stock market swoon at mid-year caused by fears (emphasized by gloomy pundits) of a recessionary relapse, stocks rebounded 20% leaving fear-mongering market-timers and hedge fund managers in the dust.

Economic reports have definitely begun to show more strength. Unemployment remains a serious problem in the U.S. as in all developed countries, but private sector jobs have been slowly growing for about a year. Consumer and business spending is also slowly improving. These positive trends are unfortunately offset by lingering negatives. Consumers are still shedding debt. Banks still hold delinquent loans that they need to unwind. Governments have tapered off on their spending and hiring binge. And the housing market continues to languish. The Federal Reserve has committed to keeping shorter-term interest rates near zero and is buoying the bond market as a tool to this end. That keeps money market funds at virtually zero returns, bonds in something of a limbo state, and stocks continuing their rebound.

All this seemingly good economic and markets news could seem conducive to increasing the PS Pooled Fund’s 60% stock portion in hopes that economic and market fundamentals will yield yet another year of pleasant surprise. After all, your Fund’s 12.5% gain for 2010 was the third biggest annual return in the fund’s past 11½ years since its investments restructuring in July, 1999. And, after taking the brunt of harsh treatment ever since their “glory days” of the late 1990’s, the Fund’s stock market focus on large U.S.-based corporations (S&P 500 Index) finally, during the fourth quarter of 2010, emerged from 11 years of underperformance relative to smaller corporations’ stocks. Is the PS Pooled Fund’s stock investment focus ready to re-emerge? Maybe…

But your PS Pooled Fund’s investment strategy isn’t built on maybes. Being ever mindful of the severe punishment absorbed by investors that let short-term outcomes alter their long-term strategy, the PS Pooled Fund consistently and methodically opts to re-allocate short-term gains back into the Fund’s stock or bond complement to maintain a fixed 60% stocks / 40% bonds mix. Sell high – buy low. There is no better way to foster good times in your Plan account balance for the long term.