

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
---	--	--

Part I	Annual Report Identification Information
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>VELCON FILTERS, INC. 401K PROFIT SHARING PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>002</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>04/01/1996</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>002</u>	1c Effective date of plan <u>04/01/1996</u>	
1b Three-digit plan number (PN) ▶	<u>002</u>				
1c Effective date of plan <u>04/01/1996</u>					
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>VELCON FILTERS, INC.</u> <u>1210 GARDEN OF THE GODS RD</u> <u>COLORADO SPRINGS, CO 80907-3410</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>26-4563734</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>719-531-5855</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>333900</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>26-4563734</u>	2c Sponsor's telephone number <u>719-531-5855</u>	2d Business code (see instructions) <u>333900</u>	
2b Employer Identification Number (EIN) <u>26-4563734</u>					
2c Sponsor's telephone number <u>719-531-5855</u>					
2d Business code (see instructions) <u>333900</u>					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/06/2011	JIM MEDLEY
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") VELCON FILTERS, INC. 1210 GARDEN OF THE GODS RD COLORADO SPRINGS, CO 80907-3410	3b Administrator's EIN 26-4563734 3c Administrator's telephone number 719-531-5855
--	---

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
---	-----------------------------------

5 Total number of participants at the beginning of the plan year	5	157
6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	164
b Retired or separated participants receiving benefits.....	6b	14
c Other retired or separated participants entitled to future benefits.....	6c	0
d Subtotal. Add lines 6a , 6b , and 6c	6d	178
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	0
f Total. Add lines 6d and 6e	6f	178
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	124
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	8
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
 2E 2F 2H 2J 2K 3D 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
---	---

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)
--	---

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.
For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan VELCON FILTERS, INC. 401K PROFIT SHARING PLAN	B Three-digit plan number (PN) ▶	002
C Plan sponsor's name as shown on line 2a of Form 5500 VELCON FILTERS, INC.	D Employer Identification Number (EIN) 26-4563734	

Part I	Service Provider Information (see instructions)
---------------	--

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
CHARLES SCHWAB & CO. INC
94-1737782

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation
--

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

LITMAN/GREGORY

94-3006781

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
20	NONE	17621	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III **Termination Information on Accountants and Enrolled Actuaries (see instructions)**
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan VELCON FILTERS, INC. 401K PROFIT SHARING PLAN	B Three-digit plan number (PN) ►	002
C Plan sponsor's name as shown on line 2a of Form 5500 VELCON FILTERS, INC.	D Employer Identification Number (EIN) 26-4563734	

Part I	Asset and Liability Statement
---------------	--------------------------------------

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		280
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)	57288	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	141776	0
(2) U.S. Government securities.....	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)	380669	268868
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)	1350812	1273998
(8) Participant loans	1c(8)	54809	210317
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	8539754	7549670
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	10525108	9303133

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h	0	280
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	280

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	10525108	9302853
---	-----------	----------	---------

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	164013	
(B) Participants	2a(1)(B)	321169	
(C) Others (including rollovers)	2a(1)(C)	15119	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		500301

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	95143	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	7859	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		103002

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	290	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		290

(3) Rents	2b(3)		
-----------------	--------------	--	--

(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)	-101593	
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		-101593
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		596269
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		1098269

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	2318262	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		2318262
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)	2262	
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		2262
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		2320524

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-1222255
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: EHRHARDT KEEFE STEINER & HOTTMAN PC

(2) EIN: 84-0869721

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation		Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.		OMB No. 1210-0110 2010 This Form is Open to Public Inspection.	
For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010					
A Name of plan VELCON FILTERS, INC. 401K PROFIT SHARING PLAN				B Three-digit plan number (PN) 002	
C Plan sponsor's name as shown on line 2a of Form 5500 VELCON FILTERS, INC.				D Employer Identification Number (EIN) 26-4563734	
Part I Distributions					
All references to distributions relate only to payments of benefits during the plan year.					
1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....				1 0	
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 84-1358583 84-0467907					
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.					
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....				3	
Part II Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)					
4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?..... ☐ Yes ☐ No ☐ N/A					
If the plan is a defined benefit plan, go to line 8.					
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____					
If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.					
6 a Enter the minimum required contribution for this plan year				6a	
b Enter the amount contributed by the employer to the plan for this plan year				6b	
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....				6c	
If you completed line 6c, skip lines 8 and 9.					
7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ☐ Yes ☐ No ☐ N/A					
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?..... ☐ Yes ☐ No ☐ N/A					
Part III Amendments					
9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box..... ☐ Increase ☐ Decrease ☐ Both ☐ No					
Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.					
10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?..... ☐ Yes ☐ No					
11 a Does the ESOP hold any preferred stock? ☐ Yes ☐ No					
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ☐ Yes ☐ No					
12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ☐ Yes ☐ No					
For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.				Schedule R (Form 5500) 2010 v.092308.1	

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

- a** Enter the percentage of plan assets held as:

Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

- b** Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

- c** What duration measure was used to calculate item 19(b)?

☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

**Financial Statements
and
Independent Auditors' Report
December 31, 2010 and 2009**



VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements	
Statements of Net Assets Available for Benefits.....	2
Statement of Changes in Net Assets Available for Benefits.....	3
Notes to Financial Statements.....	4
Supplemental Schedule	
Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year).....	18

INDEPENDENT AUDITORS' REPORT

Velcon Filters, LLC 401(k) Profit Sharing Committee
Velcon Filters, LLC 401(k) Profit Sharing Plan
Colorado Springs, Colorado

We were engaged to audit the financial statements of Velcon Filters, LLC 401(k) Profit Sharing Plan (the "Plan") as of December 31, 2010, the related statement of changes in net assets available for benefits for the year ended December 31, 2010, and the supplemental schedule as of December 31, 2010, as listed in the accompanying table of contents. These financial statements and the supplemental schedule are the responsibility of the Plan's management. The financial statements of the Plan as of December 30, 2009 were audited by other auditors. As permitted by 29 CFR 2520.103-8 of the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ("ERISA"), the Plan administrator instructed the other auditors not to perform, and they did not perform, any auditing procedures with respect to the information certified by the custodians. Their report, dated October 15, 2010, indicated that because of the significance of the information that they did not audit, they were unable to, and did not, express an opinion on the financial statements taken as a whole and the form and content of the information included in the financial statements, other than that derived from the information certified by the custodians, were presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

As permitted by 29 CFR 2520.103-8 of the DOL's Rules and Regulations for Reporting and Disclosure under ERISA, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 2, which was certified by Charles Schwab and Great-West Life & Annuity Insurance Company ("Great West"), the custodians of the Plan, except for comparing such information with the related information included in the financial statements and the supplemental schedule. We have been informed by the Plan administrator that Charles Schwab held the Plan's investment assets and executed investment transactions from January 1, 2010 to February 5, 2010, and that Great West held the Plan's investment assets and executed investment transactions as of December 31, 2010, and for the period from February 6, 2010 to December 31, 2010. The Plan administrator has obtained a certification from the custodians that the information provided to the Plan administrator by the custodians is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and the supplemental schedule taken as a whole. The form and content of the information included in the financial statements and the supplemental schedule, other than that derived from the information certified by the custodians, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Ehrhardt Keefe Steiner & Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

September 21, 2011
Denver, Colorado

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Statements of Net Assets Available for Benefits

		December 31,	
		2010	2009
Assets			
Cash	\$	190,899	\$ 141,776
Mutual funds		7,358,770	8,539,754
Partnership interests		268,868	380,669
Notes receivable (other than to participants)		<u>1,273,998</u>	<u>1,350,812</u>
Total investments		<u>9,092,535</u>	<u>10,413,011</u>
Receivables			
Participant loans		210,317	54,808
Accrued interest		<u>-</u>	<u>57,288</u>
Total receivables		<u>210,317</u>	<u>112,096</u>
Total assets		<u>9,302,852</u>	<u>10,525,107</u>
Liabilities and Net Assets			
Corrective distributions		<u>-</u>	<u>9,089</u>
Net assets available for benefits	\$	<u>9,302,852</u>	<u>\$ 10,516,018</u>

See notes to financial statements.

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

**Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31, 2010**

Investment income	
Net appreciation in fair value of assets	\$ 313,727
Interest and dividend income	<u>284,240</u>
Total investment income	<u>597,967</u>
Contributions	
Employer contributions	164,013
Employee contributions	321,169
Rollover contributions	<u>15,119</u>
Total contributions	<u>500,301</u>
Benefits paid to participants	2,309,172
Administrative fees	<u>2,262</u>
Total deductions	<u>2,311,434</u>
Net decrease	(1,213,166)
Net assets available for benefits	
Beginning of year	<u>10,516,018</u>
End of year	<u>\$ 9,302,852</u>

See notes to financial statements.

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies

The following description of Velcon Filters, LLC 401(k) Profit Sharing Plan (the "Plan") provides only general information. Participants and all others should refer to the Plan document for a more complete description of the Plan's provisions, which are available from the Plan administrator. Alliance Benefit Group of Houston, Inc. is the Plan administrator effective January 1, 2010. The prior administrator and custodian were Milliman and Charles Schwab, respectively. Effective February 6, 2011, all certified investments were transferred from Charles Schwab to Great-West Life & Annuity Insurance Company ("Great West") and Great West became the custodian of the Plan.

General

Velcon Filters, LLC (the "Company") is the Plan sponsor. The Plan is a defined-contribution plan covering all permitted classes of employees who elect to participate, have attained at least 21 years of age, and have completed one year of service with the Company. An employee is credited with a year of service if, at the end of an employee's first 12 consecutive months of employment with the Company, an employee has completed at least 1,000 hours of service. Employees may enter the Plan on the first day of a calendar quarter immediately following attainment of the eligibility requirements.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Contributions

Participants may make salary deferral contributions, not to exceed \$16,500 as limited by the Internal Revenue Service ("IRS"), which are adjusted annually by the Secretary of Treasury for inflation. If a participant is age 50 or older, the Plan permits deferral of additional amounts (called "catch-up contributions"). The maximum catch-up contribution that a participant can make in 2010 was \$5,500.

Prior to January 1, 2010, the Company had the discretion to make matching, profit-sharing, and qualified non-elective contributions ("QNEC").

Prior to January 1, 2010, a matching contribution was a discretionary percentage of the amount of a participant's salary deferrals, which percentage the Company determined each year. In order to share in the matching contribution, a participant must be actively employed on the last day of the Plan year and must have completed at least 1,000 hours of service with the Company during the Plan year. If a participant is eligible to share in the matching contribution, the Company will allocate to a participant's account the matching contribution made to the Plan on his or her behalf at the end of the Plan year.

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies (continued)

Contributions (continued)

Effective January 1, 2010, the Company signed an adoption agreement for the Alliance Benefit Group of Houston, Inc. Non-Standardized 401(k) Profit Sharing Plan (the "Adoption Agreement"). Among other terms, the Adoption Agreement allows 401(k) safe harbor contributions. The Company will make matching contributions to the account of each eligible participant in an amount equal to the sum of 100% of the amount of a participant's elective deferrals that do not exceed 3% of the participant's compensation, plus 50% of the amount of the participant's elective deferrals that exceed 3% of the participant's compensation but do not exceed 5% of the participant's compensation. A safe harbor contribution will be determined each payroll period. The Company contributed \$164,013 in matching contributions for the year ended December 31, 2010.

Each year, the Company may make a discretionary profit-sharing contribution. The discretionary profit-sharing contribution is allocated among participants eligible to share in the contribution for the Plan year based on each participant's compensation relative to the total compensation of all participants eligible to share in the contribution. In order to share in the profit-sharing contribution, a participant must be actively employed on the last day of the Plan year and must have completed at least 1,000 hours of service with the Company during the Plan year. No discretionary contributions were made for the year ended December 31, 2010.

The Company may designate all (or any portion) of the profit-sharing contribution as a QNEC. A QNEC is not subject to a vesting schedule, so a participant is always 100% vested in any QNECs made on their behalf.

Participant Investment Account Options

Participants direct the investment of their contributions and rollovers from another qualified plan, as well as the Company's matching contribution, if any, into various investment options offered by the Plan. The Plan currently offers various cash equivalents, mutual funds, notes receivable (other than to participants), and partnership interests as investment options for participants. Profit-sharing contributions are directed by an investment management company pursuant to a service agreement with the Company.

Participant Accounts

Each eligible participant is credited or charged with their 401(k) deferrals, an allocation of the Company contributions, investment earnings (losses), administrative expenses, and forfeitures of terminated participants' non-vested account balances. In addition, investment earnings (losses) are allocated based on individual account balances during the Plan year. The benefits to which a participant is entitled are the benefits that can be provided from the participant's vested account.

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies (continued)

Participant Loans

Participant loans are generally granted if a participant incurs financial hardship or has a specified financial need. A participant may borrow a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of the participant's vested account balance. Loans are secured by the balance in the participant's account and bear interest at a rate of prime plus 1%. Principal and interest is paid ratably through payroll deductions. The maximum term for these loans is five years, except for a loan to purchase a primary residence, in which case the term may be extended for a longer term. Only one loan is allowed to be outstanding at any given time.

Vesting

A participant is always 100% vested in the portion of his or her account attributable to salary deferrals, rollover contributions, and QNEC contributions.

Vesting attributable to a participant's matching and profit-sharing contributions is based on years of service with the Company. A participant is credited with a year of service if that participant works at least 1,000 hours for the Company during a Plan year. Matching and profit-sharing contributions vest in accordance with the following schedule:

<u>Years of Service</u>	<u>Vested Interest</u>
Less than 1 year	0%
1	10%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

Payments of Benefits

If a participant's vested benefit in the Plan does not exceed \$1,000 (excluding amounts attributable to rollovers), then the participant's benefit must be distributed in a single lump-sum payment as soon as administratively feasible following the event that entitles a participant to a distribution. Otherwise, a participant must consent to the distribution before it may be made, and a participant may elect to receive a distribution as a single lump-sum payment in cash or monthly, quarterly, or annual installments over a period of not more than the participant's assumed life expectancy (or the participant's beneficiary's assumed life expectancies). The Plan allows the rollover of all or a portion of the distribution to an individual retirement account, annuity, or another qualified plan.

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies (continued)

Payments of Benefits (continued)

There are rules that require that certain minimum distributions be made from the Plan. If a participant is a 5% owner, distributions are required to begin no later than the first day of April following the end of the year in which a participant reaches age 70½. If a participant is not a 5% owner, distributions are required to begin no later than the first day of April following the later of the end of the year in which a participant reaches age 70½ or retires.

A participant may receive a distribution from the Plan prior to his or her termination of employment if he or she satisfies certain conditions described in the Plan document. A participant is limited to one in-service distribution in any Plan year. The Plan also allows distributions in the event of financial hardship.

Plan Termination

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

Participant Termination and Forfeitures

If at the time of termination of employment the participant is not 100% vested, the non-vested portion ("forfeitures") of the participant's account shall be placed in a separate account. Forfeitures attributable to amounts other than employer matching contributions will be allocated to all participants eligible to share in the allocations of profit-sharing contributions in the same proportion that each participant's compensation for the Plan year bears to the compensation of all participants for such year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes in net assets and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the statement of net assets available for benefits.

Valuation of Investments and Income Recognition

Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies (continued)

Valuation of Investments and Income Recognition (continued)

Cash and cash equivalents are valued at cost, which approximates fair value.

Quoted market prices are used to value mutual funds. Mutual funds are valued at the net asset value of shares held by the Plan at the year-end.

The Plan's partnership interests refer to an investment in a real estate limited partnership (the "Partnership"), which is valued based on the Plan's share of the partners' capital of the Partnership, adjusted upward or downward for the Plan's share of the difference between the carrying value and fair value of the Partnership's rental properties at year-end. Fair value of the rental properties is based on recent appraisals of the rental properties of the Partnership. The valuation of these properties is determined by the management of the Partnership using a multiplier factor applied to the gross rents of each property. The Partnership evaluates changes in market conditions at year-end to determine if the multipliers should be changed to determine if there should be an impairment of the property. No such adjustments were made to the fair value of the rental property as of December 31, 2010.

The fair value of notes receivable (other than to participants) is determined based upon the present value of estimated future cash flows.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's realized and unrealized gains and losses on investments bought and sold as well as held during the year.

Administrative Expenses

Administrative expenses may be paid by the Company or the Plan, at the Company's discretion.

Risk and Uncertainties

The Plan provides for various investments, which in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

Additionally, some investments held by the Plan are invested in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in U.S. companies. These risks include devaluation of currencies, less reliable information about issuers, different securities transaction clearance and settlement practices, and possible adverse political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies.

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 1 - Description of the Plan and Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

Subsequent Events

The Company has evaluated subsequent events through the report date, September 21, 2011, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In September 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-25, *Reporting Loans to Participants by Defined Contribution Pension Plans*, which requires participant loans to be classified as loans receivable and measured at unpaid principal balance plus accrued but unpaid interest. Previously, these participant loans were classified as Plan investments, and were subject to the fair value measurement and disclosure requirements of Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*. As permitted under ASU No. 2010-25, the Plan has retrospectively adopted ASU No. 2010-25 for the Plan years ending December 31, 2010. The adoption of ASU No. 2010-25 did not have a material impact on the Plan's financial statements.

In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This guidance requires additional disclosure of transfers of assets and liabilities between Levels 1 and 2 of the fair value hierarchy and disclosure of activities, on a gross basis, including purchases, sales, issuances, and settlements in the reconciliation of the assets and liabilities measured under Level 3 of the fair value hierarchy. This standard also clarifies existing disclosure requirements on levels of disaggregation and disclosures about inputs and valuation techniques. ASU No. 2010-06 was effective for the Plan's year ended December 31, 2010, except for the disclosure requirements on Level 3 activity that will be effective for the Plan's year ending December 31, 2011. The adoption of this standard did not have a material impact on the Plan's financial statements.

Note 2 - Information Certified by the Custodian

The following is a summary of the information as of December 31, 2010 and 2009, and for the year ended December 31, 2010, included in the Plan's financial statements and the supplemental schedule H, line 4(i) - schedule of assets (held at end of year) as of December 31, 2010, that was prepared by or derived from information provided by the custodian and furnished to the Plan administrator.

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 2 - Information Certified by the Custodian (continued)

The Plan administrator has obtained a certification from the custodian that information provided to the Plan administrator by the custodian related to the following assets are complete and accurate. Accordingly, as permitted by 29 CRT 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, the Plan administrator instructed the Plan's independent auditors not to perform any auditing procedures with the respect to information that appears throughout the financial statements and the aforementioned supplemental schedule related to the following assets:

	December 31,	
	2010	2009
Investments at fair value		
Mutual funds	\$ 7,358,770	\$ 8,539,754
Participant loans	\$ 210,317	\$ -
Investment income		
Net appreciation in fair value of investments	\$ 533,133	\$ -
Dividends and interest	\$ 180,947	\$ -

* Entirely relates to mutual funds

Note 3 - Investments

The following table presents the fair value of the Plan's investments (including participant-directed and non-participant-directed balances) that represent 5% or more of the Plan's net assets available for benefits:

	December 31,	
	2010	2009
Maxim Lifetime 2015 Portfolio II T1 **	\$ 3,596,496	\$ -
Maxim Lifetime 2025 Portfolio II T1 **	\$ 1,511,826	\$ -
Prana Income Fund Ten 6% Prom. Note due on December 31, 2016	\$ 682,407	\$ 682,407
Key Guaranteed Portfolio Fund **	\$ 604,152	\$ -
Prana Income Fund Nine 8% Prom. Note due on December 31, 2014	\$ 582,404	\$ 639,284
T. Rowe Price Instl. High Yield Fund **	\$ -	\$ 674,180
Masters Select Equity Fund **	\$ -	\$ 714,897
PIMCO Total Return Fund Instl. **	\$ -	\$ 809,759
PIMCO Emerging Local Bond Fund Instl. **	\$ -	\$ 651,569
Loomis Sayles Bond Fund **	\$ -	\$ 589,235
Masters Select Focused Opportunity Fund**	\$ -	\$ 904,071
Masters Select Instl. Fund **	\$ -	\$ 593,976
PIMCO Unconstrained Bond Fund Instl. **	\$ -	\$ 996,401

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 3 - Investments (continued)

The following table presents the non-participant-directed portion of the fair value of investments shown above:

	December 31,	
	2010	2009
Prana Income Fund Ten 6% Prom. Note due on December 31, 2016	\$ 682,407	\$ 682,407
Prana Income Fund Nine 8% Prom. Note due on December 31, 2014	\$ 582,403	\$ 639,284
Masters Select Focused Opportunity Fund**	\$ -	\$ 842,500
PIMCO Unconstrained Bond Fund Instl. **	\$ -	\$ 829,361
Masters Select Instl. Fund **	\$ -	\$ 553,680
T. Rowe Price Instl. High Yield Fund **	\$ -	\$ 647,327
Masters Select Equity Fund **	\$ -	\$ 656,393
PIMCO Total Return Fund Instl. **	\$ -	\$ 742,484
PIMCO Emerging Local Bond Fund Instl. **	\$ -	\$ 588,485
Loomis Sayles Bond Fund **	\$ -	\$ 554,485

** Denotes certified investments.

Further information on non-participant-directed investments is provided in Note 4.

The Plan's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value as follows:

Mutual funds	\$ 415,320
Partnership interests	<u>(101,593)</u>
	<u>\$ 313,727</u>

Note 4 - Non-Participant-Directed Investments

Information about the net assets and the significant components of the changes in net assets relating to the investments not directed by participants is as follows:

	December 31,	
	2010	2009
Net assets		
Mutual funds	\$ -	\$ 6,908,923
Notes receivable (other than to participants)	1,273,998	1,350,812
Partnership interests	268,868	380,669
Cash and cash equivalents	<u>190,899</u>	<u>141,776</u>
Total net assets	<u>\$ 1,733,765</u>	<u>\$ 8,782,180</u>

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 4 - Non-Participant-Directed Investments (continued)

	December 31,	
	2010	2009
Change in net assets		
Beginning balance	\$ 8,782,180	\$ 6,875,167
Net dividends, interest, gains, losses, and administrative fees	(116,896)	1,879,923
Contributions	-	250,000
Withdrawals, distributions, and transfers	<u>(6,931,519)</u>	<u>(222,910)</u>
Ending balance	<u>\$ 1,733,765</u>	<u>\$ 8,782,180</u>

Note 5 - Related Party Transactions

The Plan invests in mutual funds and cash equivalents managed by Great West, the custodian of these investment assets as described in Notes 1 and 2. Transactions in such investments qualify as party-in-interest transactions, which are exempt from ERISA's prohibited transaction rules.

Note 6 - Income Taxes

On January 6, 2003, the IRS issued an opinion letter indicating that the prototype document adopted by the Plan, as then designed, qualifies under Section 401(a) of the Internal Revenue Code ("IRC"). Although the Plan itself has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan was designed and is being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Generally accepted accounting principles requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan and has concluded that, as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2006.

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 7 - Reconciliation to Form 5500

The following is a reconciliation of net assets available for benefits from the accompanying financial statements to the Form 5500:

	December 31,	
	2010	2009
Net assets available for benefits from the accompanying financial statements	\$ 9,302,852	\$ 10,516,018
Add corrective distributions payable	-	9,089
Net assets available for benefits from the Form 5500	<u>\$ 9,302,852</u>	<u>\$ 10,525,107</u>

The following is a reconciliation of a change in net assets available for benefits from the accompanying financial statements to the Form 5500 for the year ended December 31, 2010:

Net change in assets available for benefits from the accompanying financial statements	\$ (1,213,166)
Less 2009 distributions payable recorded for financial reporting purposes	<u>(9,089)</u>
Net change in net assets available for benefits from the Form 5500	<u>\$ (1,222,255)</u>

A difference between the accompanying financial statements and the Form 5500 is because the Form 5500 is not prepared on the same basis of accounting as the accompanying financial statements.

Note 8 - Alternative Investments

Notes Receivable (Other than to Participants)

The Plan has notes receivable (other than to participants) of \$1,273,998 and \$1,350,812 as of December 31, 2010 and 2009, respectively, from Prana Income Fund Eight, Nine, and Ten, bearing a fixed simple annual interest rate of 8%, 8%, and 6%, respectively, and maturing December 31, 2011, December 31, 2014, and December 31, 2016, respectively. These income funds, which are managed by Prana Investments, invest in 15 to 35 residential real estate properties located in transitional, inner-city areas in New York City, San Francisco Bay Area, and Los Angeles, as well as other major U.S. cities. Some of the properties may include commercial tenants located on the ground floor, which may be an important part of the rent roll of that property. The income funds may also invest in 5 to 25 short-term mortgage loans secured by similar properties. The income funds may also organize and utilize its affiliates to acquire, finance, and sell properties.

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 8 - Alternative Investments (continued)

Notes Receivable (Other than to Participants) (continued)

Installment principal payments in the amount of 20% of the original principal amount are due and payable on various end-of-the-year dates specified in the promissory notes. Prepayment of principal is permitted at the discretion of the borrower. On each scheduled date for payment of an installment of principal, income funds shall also pay, in addition to the fixed interest due and payable on such date, any contingent interest that has been earned or is estimated to be earned with respect to the principal amount of the promissory note paid at such time. Certain contingent interest shall be payable by the income funds to the extent income funds receive net proceeds from their real properties and the mortgage loans in excess of the amounts necessary to pay the unpaid principal on the promissory notes, and any accrued but unpaid fixed interest. The terms of the notes allow Prana Investments to recharacterize previously paid contingent interest as principal payments or fixed interest payments when subsequent sales generate proceeds that are not sufficient to achieve the per annum fixed interest. During the year ended December 31, 2010, Prana Income Fund Eight and Prana Income Fund Nine recharacterized a total of \$76,815 in previously paid contingent interest payments as principal payments.

This adjustment effectively recognizes, based on recent and expected future results, that too much interest was paid to note holders in prior years and rectifies the past overpayment by reclassifying some of the interest payments that should have been payments of principal. The net effect is that the remaining principal on the note is reduced. Net proceeds are an aggregate of the proceeds from operations, from sale or appreciated value of real properties, from refinancing, and from mortgage loans. Income Fund Ten, in addition to contingent interest, may also be obligated to pay bonus-contingent interest as defined in the promissory notes.

At December 31, 2010 and 2009, the Plan had accrued interest receivable of \$0 and \$57,288, respectively.

Partnership Interests

The Plan holds 2.173332 units of Prana Realty Company I, LLC, which is a general partner in City Realty Partners I, L.P. (the "Limited Partnership"). The Limited Partnership was formed on October 31, 2007. The Limited Partnership is engaged in the acquisition, operation, and sale of real properties, primarily multi-family rent-controlled buildings located in California and New York. Their portfolio consists of nine residential multi-family properties (185 apartment units and 1 commercial unit) in New York. The Limited Partnership's investments in real properties are held in separate wholly owned limited liability companies. The Limited Partnership also makes mortgage loans to borrowers, all of which are affiliates of the general and limited partner. The Plan's investment in the Limited Partnership was valued at \$268,868 and \$380,669 as of December 31, 2010 and 2009, respectively.

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 9 - Fair Value Accounting

Accounting principles generally accepted in the United States of America require disclosure about how fair value is determined and establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables set forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of December 31, 2010 and 2009.

Assets at fair value as of December 31, 2010 were as follows:

Description	Level 1	Level 2	Level 3	Total
Mutual funds				
International	\$ 308,398	\$ -	\$ -	\$ 308,398
Small-cap	158,939	-	-	158,939
Mid-cap	59,748	-	-	59,748
Large-cap	7,073	-	-	7,073
Asset allocation	5,540,824	-	-	5,540,824
Bonds	347,568	-	-	347,568
Index funds	332,068	-	-	332,068
Fixed asset stable fund	-	604,152	-	604,152
Total mutual funds	6,754,618	604,152	-	7,358,770
Money market fund	190,899	-	-	190,899
Partnership interests	-	-	268,868	268,868
Notes receivable (other than to participants)	-	-	1,273,998	1,273,998
Total	\$ 6,945,517	\$ 604,152	\$ 1,542,866	\$ 9,092,535

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Notes to Financial Statements

Note 9 - Fair Value Accounting (continued)

Assets at fair value as of December 30, 2009 were as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
International	\$ 978,199	\$ -	\$ -	\$ 978,199
Small-cap	-	-	-	-
Mid-cap	-	-	-	-
Large-cap	2,244,510	-	-	2,244,510
Asset allocation	-	-	-	-
Bonds	4,695,160	-	-	4,695,160
Index funds	342,073	-	-	342,073
Fixed asset stable fund	-	<u>279,812</u>	-	<u>279,812</u>
Total mutual funds	8,259,942	279,812	-	8,539,754
Money market fund	141,776			141,776
Partnership interests	-	-	380,669	380,669
Notes receivable (other than to participants)	-	-	<u>1,350,812</u>	<u>1,350,812</u>
Total	<u>\$ 8,401,718</u>	<u>\$ 279,812</u>	<u>\$ 1,731,481</u>	<u>\$ 10,413,011</u>

SUPPLEMENTAL SCHEDULE

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) As of December 31, 2010

Employer Identification Number 26-4563734
Plan Number - 002

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost Value	(e) Current Value
	Notes receivable			
*	Prana Income Fund Ten	6% promissory note due on December 31, 2016, collateralized by real estate	\$ 682,407	\$ 682,407
*	Prana Income Fund Nine	8% promissory note due on December 31, 2014, collateralized by real estate	582,404	582,404
*	Prana Income Fund Eight	8% promissory note due on December 31, 2011, collateralized by real estate	<u>9,187</u>	<u>9,187</u>
	Total notes receivable		<u>1,273,998</u>	<u>1,273,998</u>
	Partnership interests			
	Prana Realty Company I - Partnership Interests		<u>268,868</u>	<u>268,868</u>
	Total notes receivable	Investment in partnership	<u>268,868</u>	<u>268,868</u>
	Cash			
	Schwab Money Market Fund		<u>**</u>	<u>190,899</u>
	Total cash			<u>190,899</u>
	Mutual funds			
	Maxim Lifetime 2015 Portfolio II T1	Mutual funds	**	3,596,496
	Maxim Lifetime 2025 Portfolio II T1	Mutual funds	**	1,511,825
	Key Guaranteed Portfolio Fund	Mutual funds	**	604,152
	Maxim S&P 500 Index MFS Value Fund	Mutual funds	**	327,646
	PIMCO Total Returns Admin	Mutual funds	**	300,074
	Maxim Lifetime 2035 Portfolio II T1	Mutual funds	**	299,268
	Oakmore International II	Mutual funds	**	162,448
	American Funds Europacific Growth	Mutual funds	**	140,384
	Invesco Van Kampen Small Cap Value A	Mutual funds	**	101,406
	Maxim Lifetime 2045 Portfolio II T1	Mutual funds	**	89,600
	Fidelity Advisor Small Cap T	Mutual funds	**	57,533
	Maxim Loomis Sayles Bond Portfolio	Mutual funds	**	47,494
	Columbia Mid Cap Value Opportunity	Mutual funds	**	40,275
	Maxim Moderate Profile II	Mutual funds	**	20,667
	Maxim Moderately Conservative Profile	Mutual funds	**	19,778
	Maxim T.Rowe Price Mid-Cap Growth	Mutual funds	**	19,473
	Janus Overseas Funds	Mutual funds	**	5,566
	Maxim Index 600	Mutual funds	**	4,422
	MFS Value Fund	Mutual funds	**	3,734
	American Funds Growth Fund of America	Mutual funds	**	2,316

(Continued on the following page)

VELCON FILTERS, LLC 401(K) PROFIT SHARING PLAN

**Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year)
As of December 31, 2010**

Employer Identification Number 26-4563734
Plan Number - 002

(Continued from the previous page)

<u>(a)</u>	<u>(b) Identity of Issue, Borrower, Lessor, or Similar Party</u>	<u>(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value</u>	<u>(d) Cost Value</u>	<u>(e) Current Value</u>
	Maxim Lifetime 2055 Portfolio II T1	Mutual funds	**	1,791
	Maxim Conservative Profile II	Mutual funds	**	1,399
	American Funds Fundamental Inv	Mutual funds	**	1,023
	Total mutual funds			<u>7,358,770</u>
*	Participant loans	Interest rates from 4.25% to 9.25 % with maturities ranging from January 2011 through October 2021, collateralized by participant accounts	**	210,317
			<u>\$ 1,542,866</u>	<u>\$ 9,302,852</u>

* Party-in-interest

** Cost information not required for participant directed investments.

Name of Plan:			
▶ Velcon Filters, LLC 401(k) Profit Sharing Plan			
Employer Identification Number: ▶			
For plan year (beginning/ending): ▶ 01/01/2010 to 12/31/2010		Plan number: ▶	002

[illegible]

