

|                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                         |
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| <b>Form 5500</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security<br>Administration<br><br>Pension Benefit Guaranty Corporation | <b>Annual Return/Report of Employee Benefit Plan</b><br><br>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).<br><br><p style="text-align: center;">▶ <b>Complete all entries in accordance with the instructions to the Form 5500.</b></p> | OMB Nos. 1210-0110<br>1210-0089<br><br><b>2010</b><br><br><b>This Form is Open to Public Inspection</b> |
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|                                                                                                          |                                                                |                                                                                 |                                            |
|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------|
| <b>Part I</b>                                                                                            | <b>Annual Report Identification Information</b>                |                                                                                 |                                            |
| For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u> |                                                                |                                                                                 |                                            |
| <b>A</b> This return/report is for:                                                                      | <input type="checkbox"/> a multiemployer plan;                 | <input type="checkbox"/> a multiple-employer plan; or                           |                                            |
|                                                                                                          | <input checked="" type="checkbox"/> a single-employer plan;    | <input type="checkbox"/> a DFE (specify) ____                                   |                                            |
| <b>B</b> This return/report is:                                                                          | <input type="checkbox"/> the first return/report;              | <input type="checkbox"/> the final return/report;                               |                                            |
|                                                                                                          | <input type="checkbox"/> an amended return/report;             | <input type="checkbox"/> a short plan year return/report (less than 12 months). |                                            |
| <b>C</b> If the plan is a collectively-bargained plan, check here. . . . .                               | <input type="checkbox"/>                                       |                                                                                 |                                            |
| <b>D</b> Check box if filing under:                                                                      | <input checked="" type="checkbox"/> Form 5558;                 | <input type="checkbox"/> automatic extension;                                   | <input type="checkbox"/> the DFVC program; |
|                                                                                                          | <input type="checkbox"/> special extension (enter description) |                                                                                 |                                            |

|                                                                                                                                   |                                                                              |                                                |                     |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------|---------------------|
| <b>Part II</b>                                                                                                                    | <b>Basic Plan Information</b> —enter all requested information               |                                                |                     |
| <b>1a</b> Name of plan                                                                                                            | <u>MIDLAND GUARDIAN CO. SALARIED EMPLOYEES 401(K) SAVINGS PLAN AND TRUST</u> | <b>1b</b> Three-digit plan number (PN) ▶       | <u>002</u>          |
|                                                                                                                                   |                                                                              | <b>1c</b> Effective date of plan               | <u>01/01/1982</u>   |
| <b>2a</b> Plan sponsor's name and address (employer, if for a single-employer plan)<br>(Address should include room or suite no.) | <u>THE MIDLAND COMPANY</u>                                                   |                                                |                     |
|                                                                                                                                   |                                                                              | <b>2b</b> Employer Identification Number (EIN) | <u>31-0626204</u>   |
|                                                                                                                                   |                                                                              | <b>2c</b> Sponsor's telephone number           | <u>513-947-5214</u> |
|                                                                                                                                   |                                                                              | <b>2d</b> Business code (see instructions)     | <u>524150</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.

|                  |                                                   |            |                                                              |
|------------------|---------------------------------------------------|------------|--------------------------------------------------------------|
| <b>SIGN HERE</b> | Filed with authorized/valid electronic signature. | 10/14/2011 | MATT MCCONNELL                                               |
|                  | Signature of plan administrator                   | Date       | Enter name of individual signing as plan administrator       |
| <b>SIGN HERE</b> | Filed with authorized/valid electronic signature. | 10/14/2011 | MATT MCCONNELL                                               |
|                  | Signature of employer/plan sponsor                | Date       | Enter name of individual signing as employer or plan sponsor |
| <b>SIGN HERE</b> |                                                   |            |                                                              |
|                  | 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

|                                                                                                                                                             |                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>3a</b> Plan administrator's name and address (if same as plan sponsor, enter "Same")<br>THE MIDLAND COMPANY<br><br>P.O. BOX 1256<br>CINCINNATI, OH 45201 | <b>3b</b> Administrator's EIN<br>31-0626204<br><br><b>3c</b> Administrator's telephone number<br>513-947-5214 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                       |                                   |
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| <b>4</b> 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:<br><br><b>a</b> Sponsor's name | <b>4b</b> EIN<br><br><b>4c</b> PN |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|

|                                                                         |          |      |
|-------------------------------------------------------------------------|----------|------|
| <b>5</b> Total number of participants at the beginning of the plan year | <b>5</b> | 1548 |
|-------------------------------------------------------------------------|----------|------|

|                                                                                                                                                        |           |      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------|
| <b>6</b> Number of participants as of the end of the plan year (welfare plans complete only lines <b>6a</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ). |           |      |
| <b>a</b> Active participants.....                                                                                                                      | <b>6a</b> | 1321 |
| <b>b</b> Retired or separated participants receiving benefits.....                                                                                     | <b>6b</b> | 0    |
| <b>c</b> Other retired or separated participants entitled to future benefits.....                                                                      | <b>6c</b> | 218  |
| <b>d</b> Subtotal. Add lines <b>6a</b> , <b>6b</b> , and <b>6c</b> .....                                                                               | <b>6d</b> | 1539 |
| <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....                                              | <b>6e</b> | 0    |
| <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....                                                                                                | <b>6f</b> | 1539 |
| <b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....         | <b>6g</b> | 1275 |
| <b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....             | <b>6h</b> | 24   |

|                                                                                                                                      |          |  |
|--------------------------------------------------------------------------------------------------------------------------------------|----------|--|
| <b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) ..... | <b>7</b> |  |
|--------------------------------------------------------------------------------------------------------------------------------------|----------|--|

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:  
 2E 2G 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:

|                                                                                |                                                                                |
|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <b>9a</b> Plan funding arrangement (check all that apply)                      | <b>9b</b> Plan benefit arrangement (check all that apply)                      |
| <b>(1)</b> <input type="checkbox"/> Insurance                                  | <b>(1)</b> <input type="checkbox"/> Insurance                                  |
| <b>(2)</b> <input type="checkbox"/> Code section 412(e)(3) insurance contracts | <b>(2)</b> <input type="checkbox"/> Code section 412(e)(3) insurance contracts |
| <b>(3)</b> <input checked="" type="checkbox"/> Trust                           | <b>(3)</b> <input checked="" type="checkbox"/> Trust                           |
| <b>(4)</b> <input type="checkbox"/> General assets of the sponsor              | <b>(4)</b> <input type="checkbox"/> 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)

|                                                                                                                                                                                                                                              |                                                                                                                                                                                                                             |                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| <div>SCHEDULE C</div> <div>(Form 5500)</div> <div>Department of the Treasury<br/>Internal Revenue Service</div> <div>Department of Labor<br/>Employee Benefits Security Administration</div> <div>Pension Benefit Guaranty Corporation</div> | <div>Service Provider Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div> | 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

|                                                                                                            |                                                                         |
|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| <div>A Name of plan</div> <div>MIDLAND GUARDIAN CO. SALARIED EMPLOYEES 401(K) SAVINGS PLAN AND TRUST</div> | <div>B Three-digit plan number (PN)</div> <div>▶</div> <div>002</div>   |
|                                                                                                            |                                                                         |
| <div>C Plan sponsor's name as shown on line 2a of Form 5500</div> <div>THE MIDLAND COMPANY</div>           | <div>D Employer Identification Number (EIN)</div> <div>31-0626204</div> |

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

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(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

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

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

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

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

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

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**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)

PNC BANK, N.A.

25-1211909

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 25 59 60 63                   | TRUSTEE                                                                                                  | 0                                                                             | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                         | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                                                   | 0                                                                                                                                                                                      | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                 |

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

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

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

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

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

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

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

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

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

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

**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<br>(see instructions) | (c) Enter amount of indirect compensation |
|---------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| PNC BANK, N.A.                                          | 60                                      | 0                                         |

| (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. |
|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AMERICAN CENTURY DIVERSIFIED BOND FUND<br>P.O. BOX 419385<br>KANSAS CITY, MO 64141 | 25 BASIS POINTS ANNUALLY-60                                                                                                                                        |

| (a) Enter service provider name as it appears on line 2 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation |
|---------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| PNC BANK, N.A.                                          | 60                                      | 0                                         |

| (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. |
|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AMERICAN CENTURY EQUITY INCOME FUND<br>P.O. BOX 419385<br>KANSAS CITY, MO 64141 | 35 BASIS POINTS ANNUALLY-60                                                                                                                                        |

| (a) Enter service provider name as it appears on line 2 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation |
|---------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| PNC BANK, N.A.                                          | 60                                      | 0                                         |

| (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. |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AMERICAN CENTURY SMALL CAP VALUE FUND<br>P.O. BOX 419385<br>KANSAS CITY, MO 64141 | 35 BASIS POINTS ANNUALLY-60                                                                                                                                        |

**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<br>(see instructions) | (c) Enter amount of indirect compensation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| PNC BANK, N.A.                                                                                                                                                                                                                       | 60 63                                   | 0                                         |
| <b>(d)</b> Enter name and EIN (address) of source of indirect compensation                                                                                                                                                           |                                         |                                           |
| AMERICAN FUNDS - AMERICAN BALANCED 333 SOUTH HOPE STREET<br>LOS ANGELES, CA 90071                                                                                                                                                    |                                         |                                           |
| <b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.<br>10 BASIS POINTS ANNUALLY-60 25 BASIS POINTS ANNUALLY-63 |                                         |                                           |
| <b>(a)</b> Enter service provider name as it appears on line 2                                                                                                                                                                       |                                         |                                           |
| PNC BANK, N.A.                                                                                                                                                                                                                       | 60 63                                   | 0                                         |
| <b>(d)</b> Enter name and EIN (address) of source of indirect compensation                                                                                                                                                           |                                         |                                           |
| AMERICAN FUNDS - EUROPACIFIC GROWTH 333 SOUTH HOPE STREET<br>LOS ANGELES, CA 90071                                                                                                                                                   |                                         |                                           |
| <b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.<br>10 BASIS POINTS ANNUALLY-60 25 BASIS POINTS ANNUALLY-63 |                                         |                                           |
| <b>(a)</b> Enter service provider name as it appears on line 2                                                                                                                                                                       |                                         |                                           |
| PNC BANK, N.A.                                                                                                                                                                                                                       | 60 63                                   | 0                                         |
| <b>(d)</b> Enter name and EIN (address) of source of indirect compensation                                                                                                                                                           |                                         |                                           |
| AMERICAN FUNDS - THE GROWTH FUND OF 333 SOUTH HOPE STREET<br>LOS ANGELES, CA 90071                                                                                                                                                   |                                         |                                           |
| <b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.<br>10 BASIS POINTS ANNUALLY-60 25 BASIS POINTS ANNUALLY-63 |                                         |                                           |

**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<br>(see instructions)                 | (c) Enter amount of indirect compensation                                                                                                                          |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PNC BANK, N.A.                                                                              | 60                                                      | 0                                                                                                                                                                  |
| (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. |
| ARTISAN MID CAP VALUE FUND INV<br>875 E. WISCONSIN AVENUE, SUITE 800<br>MILWAUKEE, WI 53202 | 35 BASIS POINTS ANNUALLY-60                             |                                                                                                                                                                    |
| (a) Enter service provider name as it appears on line 2                                     |                                                         | (c) Enter amount of indirect compensation                                                                                                                          |
| PNC BANK, N.A.                                                                              | 60 63                                                   | 0                                                                                                                                                                  |
| (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. |
| BARON ASSET FUND<br>767 FIFTH AVENUE, 49TH FLOOR<br>NEW YORK, NY 10153                      | 15 BASIS POINTS ANNUALLY-60 25 BASIS POINTS ANNUALLY-63 |                                                                                                                                                                    |
| (a) Enter service provider name as it appears on line 2                                     |                                                         | (c) Enter amount of indirect compensation                                                                                                                          |
| PNC BANK, N.A.                                                                              | 60 63                                                   | 0                                                                                                                                                                  |
| (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. |
| BLACKROCK HIGH YIELD BOND FUND SRV<br>40 EAST 52ND STREET<br>NEW YORK, NY 10022             | 20 BASIS POINTS ANNUALLY-60 25 BASIS POINTS ANNUALLY-63 |                                                                                                                                                                    |

**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<br>(see instructions) | (c) Enter amount of indirect compensation                                                                                                                          |
|---------------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PNC BANK, N.A.                                                                              | 59                                      | 0                                                                                                                                                                  |
| (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. |
| FEDERATED TREASURY OBLIGATIONS<br>MONE<br>FEDERATED INVESTORS TOWER<br>PITTSBURGH, PA 15222 |                                         | 25 BASIS POINTS ANNUALLY-59                                                                                                                                        |
|                                                                                             |                                         |                                                                                                                                                                    |
| (a) Enter service provider name as it appears on line 2                                     | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation                                                                                                                          |
| PNC BANK, N.A.                                                                              | 60                                      | 0                                                                                                                                                                  |
| (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. |
| PIONEER FUND Y<br>60 STATE STREET FLOOR 18<br>BOSTON, MA 02109                              |                                         | 15 BASIS POINTS ANNUALLY-60                                                                                                                                        |
|                                                                                             |                                         |                                                                                                                                                                    |
| (a) Enter service provider name as it appears on line 2                                     | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation                                                                                                                          |
| PNC BANK, N.A.                                                                              | 59                                      | 0                                                                                                                                                                  |
| (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. |
| PNC INVESTMENT CONTRACT FUND Y<br>620 LIBERTY AVENUE<br>PITTSBURGH, PA 15222                |                                         | 50 BASIS POINTS ANNUALLY-59                                                                                                                                        |

**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<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| PNC BANK, N.A.                                                                     | 60 63                                                                                                                                                              | 0                                         |
| (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. |                                           |
| ROYCE VALUE PLUS FUND SVC<br>745 5TH AVENUE, 24TH FLOOR<br>NEW YORK, NY 10151      | 10 BASIS POINTS ANNUALLY-60 25 BASIS POINTS ANNUALLY-63                                                                                                            |                                           |
| (a) Enter service provider name as it appears on line 2                            | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
| PNC BANK, N.A.                                                                     | 60                                                                                                                                                                 | 0                                         |
| (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. |                                           |
| T. ROWE PRICE RETIREMENT 2010 FUND<br>100 EAST PRATT STREET<br>BALTIMORE, MD 21202 | 15 BASIS POINTS ANNUALLY-60                                                                                                                                        |                                           |
| (a) Enter service provider name as it appears on line 2                            | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
| PNC BANK, N.A.                                                                     | 60                                                                                                                                                                 | 0                                         |
| (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. |                                           |
| T. ROWE PRICE RETIREMENT 2020 FUND<br>100 EAST PRATT STREET<br>BALTIMORE, MD 21202 | 15 BASIS POINTS ANNUALLY-60                                                                                                                                        |                                           |

**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<br>(see instructions) | (c) Enter amount of indirect compensation |
|---------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| PNC BANK, N.A.                                          | 60                                      | 0                                         |

| (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. |
|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| T. ROWE PRICE RETIREMENT 2030 FUND 100 EAST PRATT STREET<br>BALTIMORE, MD 21202 | 15 BASIS POINTS ANNUALLY-60                                                                                                                                        |

| (a) Enter service provider name as it appears on line 2 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation |
|---------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| PNC BANK, N.A.                                          | 60                                      | 0                                         |

| (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. |
|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| T. ROWE PRICE RETIREMENT 2040 FUND 100 EAST PRATT STREET<br>BALTIMORE, MD 21202 | 15 BASIS POINTS ANNUALLY-60                                                                                                                                        |

| (a) Enter service provider name as it appears on line 2 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation |
|---------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| PNC BANK, N.A.                                          | 60                                      | 0                                         |

| (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. |
|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| T. ROWE PRICE RETIREMENT 2050 FUND 100 EAST PRATT STREET<br>BALTIMORE, MD 21202 | 15 BASIS POINTS ANNUALLY-60                                                                                                                                        |

**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)

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN;       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN;       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:



**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)

**Part II Information on Participating Plans (to be completed by DFEs)**

(Complete as many entries as needed to report all participating plans)

**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                              |                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <b>SCHEDULE H</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Financial Information</b><br><br>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).<br><br><b>► File as an attachment to Form 5500.</b> | OMB No. 1210-0110                             |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                              | <b>2010</b>                                   |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                              | <b>This Form is Open to Public Inspection</b> |

|                                                                                                          |                                                                        |            |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------|
| For calendar plan year 2010 or fiscal plan year beginning <b>01/01/2010</b> and ending <b>12/31/2010</b> |                                                                        |            |
| <b>A</b> Name of plan<br><b>MIDLAND GUARDIAN CO. SALARIED EMPLOYEES 401(K) SAVINGS PLAN AND TRUST</b>    | <b>B</b> Three-digit plan number (PN) <b>►</b>                         | <b>002</b> |
|                                                                                                          |                                                                        |            |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><b>THE MIDLAND COMPANY</b>              | <b>D</b> Employer Identification Number (EIN)<br><br><b>31-0626204</b> |            |

|               |                                      |
|---------------|--------------------------------------|
| <b>Part I</b> | <b>Asset and Liability Statement</b> |
|---------------|--------------------------------------|

**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 |
|---------------------------------------------------------------------------------------------------|-----------------|-----------------------|-----------------|
| <b>a</b> Total noninterest-bearing cash .....                                                     | <b>1a</b>       |                       |                 |
| <b>b</b> Receivables (less allowance for doubtful accounts):                                      |                 |                       |                 |
| <b>(1)</b> Employer contributions .....                                                           | <b>1b(1)</b>    |                       |                 |
| <b>(2)</b> Participant contributions .....                                                        | <b>1b(2)</b>    |                       | 3040            |
| <b>(3)</b> Other.....                                                                             | <b>1b(3)</b>    | 23783                 | 21879           |
| <b>c</b> General investments:                                                                     |                 |                       |                 |
| <b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit) .....  | <b>1c(1)</b>    |                       |                 |
| <b>(2)</b> U.S. Government securities.....                                                        | <b>1c(2)</b>    |                       |                 |
| <b>(3)</b> Corporate debt instruments (other than employer securities):                           |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                        | <b>1c(3)(A)</b> |                       |                 |
| <b>(B)</b> All other.....                                                                         | <b>1c(3)(B)</b> |                       |                 |
| <b>(4)</b> Corporate stocks (other than employer securities):                                     |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                        | <b>1c(4)(A)</b> |                       |                 |
| <b>(B)</b> Common .....                                                                           | <b>1c(4)(B)</b> |                       |                 |
| <b>(5)</b> Partnership/joint venture interests .....                                              | <b>1c(5)</b>    |                       |                 |
| <b>(6)</b> Real estate (other than employer real property) .....                                  | <b>1c(6)</b>    |                       |                 |
| <b>(7)</b> Loans (other than to participants) .....                                               | <b>1c(7)</b>    |                       |                 |
| <b>(8)</b> Participant loans .....                                                                | <b>1c(8)</b>    | 1732634               | 1652325         |
| <b>(9)</b> Value of interest in common/collective trusts.....                                     | <b>1c(9)</b>    | 1554450               | 1605344         |
| <b>(10)</b> Value of interest in pooled separate accounts.....                                    | <b>1c(10)</b>   |                       |                 |
| <b>(11)</b> Value of interest in master trust investment accounts .....                           | <b>1c(11)</b>   |                       |                 |
| <b>(12)</b> Value of interest in 103-12 investment entities .....                                 | <b>1c(12)</b>   |                       |                 |
| <b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds).....        | <b>1c(13)</b>   | 61326298              | 66145312        |
| <b>(14)</b> Value of funds held in insurance company general account (unallocated contracts)..... | <b>1c(14)</b>   |                       |                 |
| <b>(15)</b> Other .....                                                                           | <b>1c(15)</b>   |                       |                 |

**1d** Employer-related investments:

|                                                                      |              | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------|--------------|-----------------------|-----------------|
| (1) Employer securities .....                                        | <b>1d(1)</b> |                       |                 |
| (2) Employer real property .....                                     | <b>1d(2)</b> |                       |                 |
| <b>e</b> Buildings and other property used in plan operation .....   | <b>1e</b>    |                       |                 |
| <b>f</b> Total assets (add all amounts in lines 1a through 1e) ..... | <b>1f</b>    | 64637165              | 69427900        |

**Liabilities**

|                                                                           |           |       |   |
|---------------------------------------------------------------------------|-----------|-------|---|
| <b>g</b> Benefit claims payable .....                                     | <b>1g</b> |       |   |
| <b>h</b> Operating payables .....                                         | <b>1h</b> |       |   |
| <b>i</b> Acquisition indebtedness .....                                   | <b>1i</b> |       |   |
| <b>j</b> Other liabilities .....                                          | <b>1j</b> | 49378 |   |
| <b>k</b> Total liabilities (add all amounts in lines 1g through 1j) ..... | <b>1k</b> | 49378 | 0 |

**Net Assets**

|                                                           |           |          |          |
|-----------------------------------------------------------|-----------|----------|----------|
| <b>l</b> Net assets (subtract line 1k from line 1f) ..... | <b>1l</b> | 64587787 | 69427900 |
|-----------------------------------------------------------|-----------|----------|----------|

**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: <b>(A)</b> Employers .....                                        | <b>2a(1)(A)</b> | 1671209    |           |
| <b>(B)</b> Participants .....                                                                              | <b>2a(1)(B)</b> | 4582153    |           |
| <b>(C)</b> Others (including rollovers) .....                                                              | <b>2a(1)(C)</b> | 541443     |           |
| (2) Noncash contributions .....                                                                            | <b>2a(2)</b>    |            |           |
| (3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> ..... | <b>2a(3)</b>    |            | 6794805   |

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

|                                                                                                      |                 |       |       |
|------------------------------------------------------------------------------------------------------|-----------------|-------|-------|
| <b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) ..... | <b>2b(1)(A)</b> |       |       |
| <b>(B)</b> U.S. Government securities .....                                                          | <b>2b(1)(B)</b> |       |       |
| <b>(C)</b> Corporate debt instruments .....                                                          | <b>2b(1)(C)</b> |       |       |
| <b>(D)</b> Loans (other than to participants) .....                                                  | <b>2b(1)(D)</b> |       |       |
| <b>(E)</b> Participant loans .....                                                                   | <b>2b(1)(E)</b> | 83871 |       |
| <b>(F)</b> Other .....                                                                               | <b>2b(1)(F)</b> |       |       |
| <b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....                        | <b>2b(1)(G)</b> |       | 83871 |

|                                                                                           |                 |         |         |
|-------------------------------------------------------------------------------------------|-----------------|---------|---------|
| (2) Dividends: <b>(A)</b> Preferred stock .....                                           | <b>2b(2)(A)</b> |         |         |
| <b>(B)</b> Common stock .....                                                             | <b>2b(2)(B)</b> |         |         |
| <b>(C)</b> Registered investment company shares (e.g. mutual funds) .....                 | <b>2b(2)(C)</b> | 1045216 |         |
| <b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> ..... | <b>2b(2)(D)</b> |         | 1045216 |

|                 |              |  |  |
|-----------------|--------------|--|--|
| (3) Rents ..... | <b>2b(3)</b> |  |  |
|-----------------|--------------|--|--|

|                                                                                           |                 |          |        |
|-------------------------------------------------------------------------------------------|-----------------|----------|--------|
| (4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....                | <b>2b(4)(A)</b> | 17203730 |        |
| <b>(B)</b> Aggregate carrying amount (see instructions) .....                             | <b>2b(4)(B)</b> | 16985021 |        |
| <b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result ..... | <b>2b(4)(C)</b> |          | 218709 |

|                                                                                                   |                 | (a) Amount | (b) Total |
|---------------------------------------------------------------------------------------------------|-----------------|------------|-----------|
| <b>2b</b> (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....              | <b>2b(5)(A)</b> |            |           |
| (B) Other .....                                                                                   | <b>2b(5)(B)</b> |            |           |
| (C) Total unrealized appreciation of assets.<br>Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....    | <b>2b(5)(C)</b> |            | 0         |
| (6) Net investment gain (loss) from common/collective trusts .....                                | <b>2b(6)</b>    |            | 23911     |
| (7) Net investment gain (loss) from pooled separate accounts .....                                | <b>2b(7)</b>    |            |           |
| (8) Net investment gain (loss) from master trust investment accounts .....                        | <b>2b(8)</b>    |            |           |
| (9) Net investment gain (loss) from 103-12 investment entities .....                              | <b>2b(9)</b>    |            |           |
| (10) Net investment gain (loss) from registered investment<br>companies (e.g., mutual funds)..... | <b>2b(10)</b>   |            | 5171267   |
| <b>c</b> Other income.....                                                                        | <b>2c</b>       |            | 765       |
| <b>d</b> Total income. Add all <b>income</b> amounts in column (b) and enter total.....           | <b>2d</b>       |            | 13338544  |

**Expenses**

|                                                                                            |              |         |         |
|--------------------------------------------------------------------------------------------|--------------|---------|---------|
| <b>e</b> Benefit payment and payments to provide benefits:                                 |              |         |         |
| (1) Directly to participants or beneficiaries, including direct rollovers .....            | <b>2e(1)</b> | 7887109 |         |
| (2) To insurance carriers for the provision of benefits .....                              | <b>2e(2)</b> |         |         |
| (3) Other .....                                                                            | <b>2e(3)</b> |         |         |
| (4) Total benefit payments. Add lines <b>2e(1)</b> through <b>(3)</b> .....                | <b>2e(4)</b> |         | 7887109 |
| <b>f</b> Corrective distributions (see instructions) .....                                 | <b>2f</b>    |         |         |
| <b>g</b> Certain deemed distributions of participant loans (see instructions).....         | <b>2g</b>    |         |         |
| <b>h</b> Interest expense.....                                                             | <b>2h</b>    |         |         |
| <b>i</b> Administrative expenses: (1) Professional fees .....                              | <b>2i(1)</b> |         |         |
| (2) Contract administrator fees .....                                                      | <b>2i(2)</b> |         |         |
| (3) Investment advisory and management fees .....                                          | <b>2i(3)</b> |         |         |
| (4) Other .....                                                                            | <b>2i(4)</b> |         |         |
| (5) Total administrative expenses. Add lines <b>2i(1)</b> through <b>(4)</b> .....         | <b>2i(5)</b> |         | 0       |
| <b>j</b> Total expenses. Add all <b>expense</b> amounts in column (b) and enter total..... | <b>2j</b>    |         | 7887109 |

**Net Income and Reconciliation**

|                                                                               |              |  |         |
|-------------------------------------------------------------------------------|--------------|--|---------|
| <b>k</b> Net income (loss). Subtract line <b>2j</b> from line <b>2d</b> ..... | <b>2k</b>    |  | 5451435 |
| <b>l</b> Transfers of assets:                                                 |              |  |         |
| (1) To this plan.....                                                         | <b>2l(1)</b> |  |         |
| (2) From this plan .....                                                      | <b>2l(2)</b> |  | 611322  |

**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: BARNES DENNIG

(2) EIN: 31-1119890

**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  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|---------|
| <b>a</b> 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>b</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  |         |
| <b>c</b> 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  |         |
| <b>d</b> 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  |         |
| <b>e</b> Was this plan covered by a fidelity bond?.....                                                                                                                                                                                                                                                         | X   |    | 6000000 |
| <b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? .....                                                                                                                                                                         |     | X  |         |
| <b>g</b> 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  |         |
| <b>h</b> 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  |         |
| <b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....                                                                                                                                                   | X   |    |         |
| <b>j</b> 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  |         |
| <b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....                                                                                                                                              |     | X  |         |
| <b>l</b> Has the plan failed to provide any benefit when due under the plan? .....                                                                                                                                                                                                                              |     | X  |         |
| <b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....                                                                                                                                                                                     |     | X  |         |
| <b>n</b> 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) |
|---------------------------------------------|--------------|-------------|
| JOHNSON & JOHNSON, INC. PROFIT SHARING PLAN | 57-0189850   | 001         |
|                                             |              |             |
|                                             |              |             |
|                                             |              |             |

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                            |                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| <b>SCHEDULE R</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Retirement Plan Information</b><br><br>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).<br><br>▶ <b>File as an attachment to Form 5500.</b> | OMB No. 1210-0110                              |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                            | <b>2010</b>                                    |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                            | <b>This Form is Open to Public Inspection.</b> |

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

|                                                                                                       |                                                                    |
|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>MIDLAND GUARDIAN CO. SALARIED EMPLOYEES 401(K) SAVINGS PLAN AND TRUST</u> | <b>B</b> Three-digit plan number (PN) ▶<br><u>002</u>              |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>THE MIDLAND COMPANY</u>           | <b>D</b> Employer Identification Number (EIN)<br><u>31-0626204</u> |

|               |                      |
|---------------|----------------------|
| <b>Part I</b> | <b>Distributions</b> |
|---------------|----------------------|

All references to distributions relate only to payments of benefits during the plan year.

|                                                                                                                                                                                                                                                                    |          |          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
| <b>1</b> Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....                                                                                                                              | <b>1</b> | <u>0</u> |
| <b>2</b> 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):<br><br>EIN(s): <u>25-1211909</u> |          |          |
| Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.                                                                                                                                                                                                   |          |          |
| <b>3</b> Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....                                                                                                                                    | <b>3</b> |          |

|                |                                                                                                                                                                              |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part II</b> | <b>Funding Information</b> (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) |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                         |                                                                                                                         |                             |                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------|
| <b>4</b> Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....                                                                                                                                     | <input type="checkbox"/> Yes                                                                                            | <input type="checkbox"/> No | <input type="checkbox"/> N/A |
| If the plan is a defined benefit plan, go to line 8.                                                                                                                                                                                                    |                                                                                                                         |                             |                              |
| <b>5</b> 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. |                             |                              |
| <b>6 a</b> Enter the minimum required contribution for this plan year .....                                                                                                                                                                             | <b>6a</b>                                                                                                               |                             |                              |
| <b>b</b> Enter the amount contributed by the employer to the plan for this plan year .....                                                                                                                                                              | <b>6b</b>                                                                                                               |                             |                              |
| <b>c</b> 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).....                                                                                                         | <b>6c</b>                                                                                                               |                             |                              |
| If you completed line 6c, skip lines 8 and 9.                                                                                                                                                                                                           |                                                                                                                         |                             |                              |
| <b>7</b> Will the minimum funding amount reported on line 6c be met by the funding deadline? .....                                                                                                                                                      | <input type="checkbox"/> Yes                                                                                            | <input type="checkbox"/> No | <input type="checkbox"/> N/A |
| <b>8</b> 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?..... | <input type="checkbox"/> Yes                                                                                            | <input type="checkbox"/> No | <input type="checkbox"/> N/A |

|                 |                   |
|-----------------|-------------------|
| <b>Part III</b> | <b>Amendments</b> |
|-----------------|-------------------|

|                                                                                                                                                                                                                                |                                   |                                   |                               |                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------|
| <b>9</b> 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..... | <input type="checkbox"/> Increase | <input type="checkbox"/> Decrease | <input type="checkbox"/> Both | <input type="checkbox"/> No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------|

|                |                                                                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part IV</b> | <b>ESOPs</b> (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. |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                              |                              |                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
| <b>10</b> Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....                                                       | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>11 a</b> Does the ESOP hold any preferred stock? .....                                                                                                                                    | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</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.) ..... | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>12</b> Does the ESOP hold any stock that is not readily tradable on an established securities market? .....                                                                               | <input type="checkbox"/> Yes | <input type="checkbox"/> 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:

|                                                                          |            |  |
|--------------------------------------------------------------------------|------------|--|
| <b>a</b> The current year .....                                          | <b>14a</b> |  |
| <b>b</b> The plan year immediately preceding the current plan year ..... | <b>14b</b> |  |
| <b>c</b> The second preceding plan year .....                            | <b>14c</b> |  |

- 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:

|                                                                                                       |            |  |
|-------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> The corresponding number for the plan year immediately preceding the current plan year ..... | <b>15a</b> |  |
| <b>b</b> The corresponding number for the second preceding plan year .....                            | <b>15b</b> |  |

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

|                                                                                                                                                                        |            |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> Enter the number of employers who withdrew during the preceding plan year .....                                                                               | <b>16a</b> |  |
| <b>b</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 ..... | <b>16b</b> |  |

- 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): \_\_\_\_\_

# **Midland-Guardian Co.**

## **Salaried Employees 401(k) Savings Plan**

**Financial Statements**

**With Accompanying Information**

**Years Ended December 31, 2010 and 2009**

**With Report of Independent Certified Public Accountants**



**BARNES DENNIG**

Accounting • Tax • Business Insight

**Report of Independent Certified Public Accountants**

To the Trustees of  
The Midland-Guardian Salaried Employees 401(k) Savings Plan  
Cincinnati, Ohio

We were engaged to audit the accompanying Statements of Net Assets Available for Benefits of The Midland-Guardian Salaried Employees 401(k) Savings Plan as of December 31, 2010 and 2009, and the related Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2010, and supplemental Schedule H, Line 4i – Schedule of Assets (Held at End of Year) at December 31, 2010. These financial statements and schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Income Security Act of 1974, the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 7, which was certified by PNC Bank, the trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the Plan Administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan Administrator has obtained a certification from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the Plan Administrator by the trustee 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 schedule taken as a whole. The form and content of the information included in the financial statements and schedule, other than that derived from the information certified by the trustee, 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 Department of Labor's Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Income Security Act of 1974.

*BARNES DENNIG & CO., LTD.*

Cincinnati, Ohio  
October 4, 2011

# MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

## Statements of Net Assets Available for Benefits December 31, 2010 and 2009

|                                                                                                  | <u>2010</u>          | <u>2009</u>          |
|--------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                                                    |                      |                      |
| <b>Investments:</b>                                                                              |                      |                      |
| Investments at fair value                                                                        |                      |                      |
| Mutual Funds                                                                                     | \$ 66,145,312        | \$ 61,326,298        |
| Common/Collective Trust Fund                                                                     | <u>1,639,528</u>     | <u>1,550,551</u>     |
| Total investments                                                                                | <u>67,784,840</u>    | <u>62,876,849</u>    |
| <b>Other:</b>                                                                                    |                      |                      |
| Contribution receivable                                                                          | 3,040                | -                    |
| Accrued investment income                                                                        | <u>21,879</u>        | <u>23,783</u>        |
| Net assets available for benefits at fair value                                                  | 67,809,759           | 62,900,632           |
| Notes receivable from participants                                                               | <u>1,652,325</u>     | <u>1,732,634</u>     |
| Adjustment from fair value to contract value<br>for fully benefit-responsive investment contract | <u>(34,184)</u>      | <u>3,899</u>         |
| Net assets                                                                                       | 69,427,900           | 64,637,165           |
| <b>Liabilities</b>                                                                               |                      |                      |
| <b>Excess contributions to be returned to participants</b>                                       | <u>-</u>             | <u>(49,378)</u>      |
| Net assets available for benefits                                                                | <u>\$ 69,427,900</u> | <u>\$ 64,587,787</u> |

The accompanying notes are an integral part of these financial statements

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Statement of Changes in Net Assets Available for Benefits Year Ended December 31, 2010

#### Additions:

##### Investment income:

|                                               |              |
|-----------------------------------------------|--------------|
| Net appreciation in fair value of investments | \$ 5,413,887 |
| Interest and dividend income                  | 1,045,216    |
| Other income                                  | <u>765</u>   |

|                         |                  |
|-------------------------|------------------|
| Total investment income | <u>6,459,868</u> |
|-------------------------|------------------|

|                                                       |               |
|-------------------------------------------------------|---------------|
| Interest income on notes receivable from participants | <u>83,871</u> |
|-------------------------------------------------------|---------------|

##### Contributions:

|          |                |
|----------|----------------|
| Employer | 1,671,209      |
| Employee | 4,582,153      |
| Rollover | <u>541,443</u> |

|                     |                  |
|---------------------|------------------|
| Total contributions | <u>6,794,805</u> |
|---------------------|------------------|

|                 |                   |
|-----------------|-------------------|
| Total additions | <u>13,338,544</u> |
|-----------------|-------------------|

#### Deductions:

|                                  |                  |
|----------------------------------|------------------|
| Benefit payments to participants | (7,887,109)      |
| Transfers to separate trust      | <u>(611,322)</u> |

|                  |                    |
|------------------|--------------------|
| Total deductions | <u>(8,498,431)</u> |
|------------------|--------------------|

|              |                  |
|--------------|------------------|
| Net increase | <u>4,840,113</u> |
|--------------|------------------|

#### Net assets available for benefits:

|                   |                   |
|-------------------|-------------------|
| Beginning of year | <u>64,587,787</u> |
|-------------------|-------------------|

|             |                             |
|-------------|-----------------------------|
| End of year | <u><u>\$ 69,427,900</u></u> |
|-------------|-----------------------------|

The accompanying notes are an integral part of these financial statements

# MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

## Notes to Financial Statements

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Presentation*

The accompanying financial statements of Midland-Guardian Salaried Employees 401(k) Savings Plan (the Plan) have been prepared on the accrual basis.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

The PNC Investment Contract Fund is a common trust fund administered by PNC Bank. This Fund's investment objectives are to maximize the current income, while maintaining principal and to provide for withdrawals for certain participant-initiated transactions without penalty or adjustments.

#### *Accounting Change*

In September 2010, the Financial Accounting Standards Board (FASB) issued guidance clarifying the classification and measurement of participant loans by defined contribution pension plans. The guidance requires that participant loans be classified as notes receivable from participants and measured at their unpaid principal balance, plus any accrued but unpaid interest. The accounting change is effective for fiscal years ending after December 15, 2010, with early adoption permitted. This amendment requires retrospective application to all periods presented. Prior year amounts and disclosures have been revised to reflect the retrospective application of this amendment. The adoption resulted in a reclassification of participant loans totaling \$1,652,325 and \$1,732,634 from investments to notes receivable from participants as of December 31, 2010 and 2009, respectively. As a result of this reclassification, these amounts were removed from the fair value measurement disclosures.

#### *Investment Valuation*

Investments are reported at fair value. Mutual funds are stated at fair value as determined by quoted market prices, which represents the net asset value of shares held by the Plan at year end. The Plan's interest in the collective trust is based at fair value of the collective trust's underlying investments based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end. Investment securities, 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 values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of net assets available for benefits. Notes receivable from participants are valued at carrying value, which approximates market value.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Investment Valuation (Continued)*

Management fees charged to the Plan for investments in the mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees are reflected as a reduction of investment return for such investments.

Purchases and sales of investments are accounted for on the trade date (the date the order to buy or sell is executed). The cost of investments sold is computed on an average cost basis. Dividend income is recorded on the ex-dividend date, and interest income is recorded as earned.

Net appreciation in fair value of investments consists of the net realized gain (loss) from sales of assets and the net unrealized gain (loss) from changes in the fair value of assets during the year.

##### *Benefit Payments*

Benefit payments are recorded when paid.

##### *Expenses*

During 2010, certain expenses and costs of administering the Plan were paid by Midland-Guardian Co. (the Plan Sponsor) and, accordingly, are not reflected in the Plan's financial statements.

##### *Related Party Transactions*

Certain Plan investments are shares of mutual funds managed by PNC Bank. PNC Bank is the Plan trustee, recordkeeper and asset custodian as defined by the Plan and, therefore, the related investment transactions qualify as exempt party-in-interest transactions in accordance with ERISA guidelines.

Several employees of Midland-Guardian Co. (the Company) provide administrative services to the Plan. These services include Plan oversight and day-to-day Plan administration. The Plan is not charged by the Company for the services of the employees to the Plan.

The Plan offers loans to participants. Related transactions qualify as exempt party-in-interest transactions in accordance with ERISA guidelines.

##### *Notes Receivable from Participants*

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the plan document.

##### *Subsequent Events*

The Plan has evaluated subsequent events through October 4, 2011, which is the date these financial statements were available to be issued, and have been determined that there are no subsequent events that require disclosure under applicable General Accepted Accounting Principles (GAAP) for subsequent events.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

#### NOTE 2 DESCRIPTION OF THE PLAN

The following description of the Midland-Guardian Salaried Employees 401(k) Savings Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

##### *General*

All full-time salaried employees of Midland-Guardian Co. and part-time employees who anticipate working 1,000 hours or more annually are eligible to participate in the Plan upon their hire date. The Plan is administered by a committee appointed by the Company's Board of Directors and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

##### *Contributions*

Effective January 1, 2002, the Plan was amended authorizing a basic minimum before tax employee contribution to be 1 percent up to 6 percent and a maximum to be 100 percent (base and supplemental) of the participant's compensation, as defined in the Plan. However, contributions may not exceed limitations established under Section 402(g) of the Internal Revenue Code (IRC) of 1986 as amended (\$16,500 at December 31, 2010). A participant may direct employee contributions in one-percent increments into various investment options offered by the Plan. Company contributions are automatically invested in the participant's selected investment options. Participants may change their investment elections daily. The Company matches 50 percent up to the first 6% of an employee's basic contribution.

##### *Rollover Contributions*

Participants may rollover their taxable portion of funds previously held for their account in another employee benefit plan to the Plan on a tax-free basis.

##### *Participant Accounts*

Individual accounts are maintained for each participant by the Plan's Trustee. Each participant's account is credited with the participant's and Company's contributions and a pro-rata allocation of the Plan's earnings and expenses. The pro-rata allocation is based upon each participant's earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 2 DESCRIPTION OF THE PLAN (CONTINUED)

##### ***Vesting***

Participants are vested immediately in their contributions. The vesting period in Company matching contributions is five (5) years. At the end of each year of employment, the employee will vest in 20 percent of the Company's matching contribution. Vesting is based on the date of hire, not the date of enrollment in the Plan.

If a participant terminates employment with the Company at any time and they are less than fully vested in their qualified matching contributions or earnings thereon, the non-vested portion is forfeited.

##### ***Forfeitures***

As of December 31, 2010 and 2009, forfeited non-vested accounts totaled \$39,182 and \$32,073, respectively. All forfeitures under the Plan are used to reduce future employer contributions to the Plan. During the year ended December 31, 2010, there were \$-0- forfeited non-vested amounts used to reduce employer contributions.

##### ***Payment of Benefits***

Upon termination of service due to death, disability or retirement, a participant (or his or her designated beneficiary) may elect to receive an amount equal to the value of the participant's vested interest in his or her account. The form of payment is a lump-sum distribution, rollover into another qualified plan or an annuity to be paid for up to a 10-year period.

In-service distributions are permissible from the Plan for participants that have attained the age of 59 1/2.

In conditions of "financial hardship", a participant may apply to the Plan administrator for approval to withdraw that portion of the participant's account balance necessary to meet the financial hardship, subject to the limitations of the Plan and the Internal Revenue Code.

Upon termination of the Plan, the assets will be distributed to participants in accordance with the Plan's provisions and existing laws and regulations.

##### ***Notes Receivable from Participants***

The Plan allows participants to borrow funds from their vested account balance subject to certain restrictions. Participants may take a minimum notes receivable of \$500 from their account. The maximum notes receivable is 50% of their vested account balance (up to a maximum of \$50,000). Notes receivable are repayable in one to five years unless the notes receivable is related to the purchase of the participant's primary residence, in which case the term may be up to thirty years. The interest rate applicable to Plan notes receivable is established at 1% over the prime rate.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 3 INVESTMENTS

Investments representing more than five percent of net assets available for benefits listed at market value are as follows at December 31:

|                                          | 2010          | 2009          |
|------------------------------------------|---------------|---------------|
| Federated Treasury Obligation Issue Fund | \$ 14,998,254 | \$ 16,793,058 |
| Artisan Mid Cap Value Fund               | 5,908,897     | 5,650,077     |
| American Euro Pacific Growth Fund        | 5,232,466     | 5,159,545     |
| American Balanced Fund                   | 5,129,034     | 4,928,473     |
| American Century Equity Income Investor  | 5,040,535     | 4,689,120     |
| Baron Asset Fund                         | 4,943,079     | 4,215,610     |
| American Funds Growth Fund of America    | 4,368,369     | 3,894,825     |

During 2010, the plan's investments appreciated by \$5,413,887.

#### NOTE 4 FAIR VALUE MEASUREMENTS

The financial statements have been prepared in accordance with applicable GAAP for fair value measurements and disclosures for financial assets and liabilities. Under the applicable GAAP literature, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. The applicable GAAP literature establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the ability to observe inputs as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

# MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

## Notes to Financial Statements (Continued)

### NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2010 and 2009.

*Cash and money market:* Valued at the net asset value (NAV) of shares held by the plan at year end.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Plan at year-end.

*Common/collective trusts:* Valued at fair value of the collective trust's underlying investments based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2010:

|                                    | Level 1              | Level 2             | Level 3     | Total                |
|------------------------------------|----------------------|---------------------|-------------|----------------------|
| Mutual funds                       | \$ 66,145,312        | \$ -                | \$ -        | \$ 66,145,312        |
| Common / collective<br>trust funds | -                    | 1,639,528           | -           | 1,639,528            |
| Total investments<br>at fair value | <u>\$ 66,145,312</u> | <u>\$ 1,639,528</u> | <u>\$ -</u> | <u>\$ 67,784,840</u> |

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2009:

|                                    | Level 1              | Level 2             | Level 3     | Total                |
|------------------------------------|----------------------|---------------------|-------------|----------------------|
| Mutual funds                       | \$ 61,326,298        | \$ -                | \$ -        | \$ 61,326,298        |
| Common / collective<br>trust funds | -                    | 1,550,551           | -           | 1,550,551            |
| Total investments<br>at fair value | <u>\$ 61,326,298</u> | <u>\$ 1,550,551</u> | <u>\$ -</u> | <u>\$ 62,876,849</u> |

#### NOTE 5 BENEFIT RESPONSIVE INVESTMENT

The Plan has a benefit-responsive investment contract with PNC Bank. Contract value is the relevant measurement attribute for that portion of the net assets of an investment company that are attributable to fully benefit-responsive investment contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of their employer-sponsored defined-contribution plan which invests in the Fund. An investment contract is considered to be fully benefit-responsive if: (1) it is effected directly between the fund and the issuer and may not be transferred without the consent of the issuer; (2) in the case of traditional investment contracts, the repayment of principal and interest is a financial obligation of the issuer, or, in the case of synthetic investment contracts, the issuer of a wrapper contract provides assurance that the future contract crediting rate will not be adjusted to less than zero; (3) the contract requires all permitted participant-initiated transactions with the fund to be at contract value, without limitation; (4) it is improbable that an event will occur that would limit the ability of the fund to transact at contract value with both the issuer and the fund unit holders; and (5) the fund allows unit holders reasonable access to their funds.

The existence of certain conditions can limit the trust's ability to transact at contract value with the issuers of its investment contracts. Specifically, any event outside the normal operation of the trust which causes a withdrawal from an investment contract may result in a negative market value adjustment with respect to such withdrawal. Examples of such events include, but are not limited to, partial or complete legal termination of fund, tax disqualification of the fund, and certain fund amendments if issuers' consent is not obtained. As of December 31, 2010, the occurrence of an event outside the normal operation of the trust which would cause a withdrawal from an investment contract is not considered to be probable.

In addition to the limitations noted above, issuers of investment contracts have certain rights to terminate a contract and settle at an amount which differs from contract value. For example, certain breaches by the fund of its obligations, representations, or warranties under the terms of an investment contract can result in its termination at market value, which may differ from contract value. Investment contracts may also provide for termination with no payment obligation from the issuer if the performance of the contract constitutes a prohibited transaction under ERISA or other applicable law.

## **MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN**

### **Notes to Financial Statements (Continued)**

#### **NOTE 5 BENEFIT RESPONSIVE INVESTMENT (CONTINUED)**

A number of factors can influence future crediting interest rates, which may include but are not limited to underlying portfolio performance, current market interest rates for reinvestment and duration posture.

Future crediting interest rates may vary based upon changes in the market and other plan and cash flow events which will impact the adjustment in the fund from fair value to contract value. The crediting interest rates are reviewed on a quarterly basis for resetting. The fund guarantees a return of principal and a specific minimum rate of return.

The fund administrator believes that it is not probable that events may occur that will limit the ability of the fund to transact at contract values with the issuer. The crediting interest rate was 2.38% and 2.22% at December 31, 2010 and 2009, respectively. The average yield based on crediting interest rate for the year ended December 31, 2010 and 2009 was 2.36% and 2.19%, respectively. The average yield based on GAAP income for the year ended December 31, 2010 and 2009 was 1.65% and 2.43%, respectively.

#### **NOTE 6 TAX STATUS**

The Plan uses a prototype plan document sponsored by PNC Bank. PNC received an opinion letter from the Internal Revenue Service (IRS), dated March 31, 2008, which states that the prototype document satisfies the applicable provisions of the Internal Revenue Code (IRC). The Plan was amended and restated effective January 1, 2009. The Plan has not obtained a new opinion letter or determination letter from the IRS. However, the Plan's management believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income tax has been included in the Plan's financial statements.

#### **NOTE 7 INFORMATION CERTIFIED BY THE TRUSTEE**

The following information provided by PNC Bank N.A. (PNC Bank), the Trustee of the Plan for the years ended December 31, 2010 and 2009 was certified by them to be accurate and complete with respect to the following:

- (a) The assets held by PNC Bank at December 31, 2010 and 2009 as well as the transactions involving these assets for the year ended December 31, 2010.
- (b) The amount of investment income (loss) for the year ended December 31, 2010.
- (c) Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2010.

## **MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN**

### **Notes to Financial Statements (Continued)**

#### **NOTE 8 PLAN TERMINATION**

The Company expects to continue the Plan indefinitely, but reserves the right to terminate it by a duly adopted written resolution of the Board of Directors of the Company. In the event of termination, the value of each participant's interest in Company matching contributions will become fully vested and Plan assets will be allocated to provide benefits to participants as set forth in the Plan, or as otherwise required by law.

#### **NOTE 9 PLAN TRANSFERS**

During 2010, the Plan recognized transfers to other plans of \$611,322. These investments represent assets related to employees who transferred employment from Midland-Guardian Co. to other companies during the year as the result of the sale of a company division.

#### **NOTE 10 SUBSEQUENT EVENT**

Effective December 31, 2011, this Plan will be merged with another qualified defined contribution plan.

# MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

## Schedule H, Line 4i – Schedule of Assets (Held at End of Year) December 31, 2010

Schedule H (Form 5500)  
EIN 31-0626204  
Plan Number – 002

| barn | Column B                                          | Column C                     | Column E             |
|------|---------------------------------------------------|------------------------------|----------------------|
|      | Identity of issuer, borrower<br>of similar entity | Description<br>of Investment | Current<br>Value     |
|      | American Balanced Fund                            | Mutual Fund                  | \$ 5,129,034         |
|      | American Century Diversified Bond Investor        | Mutual Fund                  | 3,139,900            |
|      | American Century Equity Income Investor           | Mutual Fund                  | 5,040,535            |
|      | American Century Small Cap Value Fund             | Mutual Fund                  | 2,815,738            |
|      | American Euro Pacific Growth Fund                 | Mutual Fund                  | 5,232,466            |
|      | American Funds Growth Fund of America             | Mutual Fund                  | 4,368,369            |
|      | Artisan Mid Cap Value Fund                        | Mutual Fund                  | 5,908,897            |
|      | Baron Asset Fund                                  | Mutual Fund                  | 4,943,079            |
|      | Blackrock High Yield Bond                         | Mutual Fund                  | 2,131,617            |
| *    | Federated Treasury Obligation Issue Fund          | Mutual Fund                  | 14,998,254           |
|      | Fid Spartan U.S. Equity Fund                      | Mutual Fund                  | 110,962              |
|      | Pioneer Fund class Y                              | Mutual Fund                  | 1,577,692            |
| *    | Royce Value Plus Service Fund                     | Mutual Fund                  | 2,127,425            |
|      | T Rowe 2010 Advisor Fund                          | Mutual Fund                  | 1,347,856            |
|      | T Rowe 2020 Advisor Fund                          | Mutual Fund                  | 2,306,273            |
|      | T Rowe 2030 Advisor Fund                          | Mutual Fund                  | 1,174,498            |
|      | T Rowe 2040 Advisor Fund                          | Mutual Fund                  | 2,921,563            |
|      | T Rowe 2050 Advisor Fund                          | Mutual Fund                  | 871,154              |
| *    | Loans to Participants                             | 4.25% - 10.5%                | 1,652,325            |
| *    | PNC Investment Contract Fund Y                    | Common/Collective Trust Fund | 1,639,528            |
|      |                                                   | Total investments            | <u>\$ 69,437,165</u> |

NOTE: The above data is based on information that has been certified as complete and accurate by the Trustee.

\* Denotes Party-In-Interest

See accompanying independent auditors' disclaimer of opinion.



***CERTIFICATION FOR ENCLOSURE WITH FORM 5500***

We certify that pursuant to Department of Labor Regulations §2520.103-9(c) the Fund Trustee will file with the Department of Labor on or before the filing due date a Form 5500 for the 2010 calendar year for the collective trusts listed below. This filing will include an annual Statement of Assets and Liabilities for the following PNC Bank Collective Investment Trust Funds held by Employee Benefits plans:

| FUND                             | TRUST NO. | FUND EIN   |
|----------------------------------|-----------|------------|
| PNC EBT Investment Contract Fund | 1028398   | 25-1197336 |

We also certify that we will furnish, to the Administrator or Sponsor for each participating plan, a copy of the most recent Statement of Assets and Liabilities of the above funds.

PNC Bank, N.A.

I, Bonnie Fawcett, Vice President, certify the accuracy and completeness of the information provided in this certification and in the above-described Statement of Assets and Liabilities.

Sincerely,

Bonnie Fawcett  
Vice President  
Director, Vested Interest

The PNC Financial Services Group, Inc. ("PNC") provides investment and wealth management, fiduciary services, non-discretionary defined contribution plan services and investment options, FDIC-insured banking products and services and lending and borrowing of funds through its subsidiaries, PNC Bank, National Association, PNC Bank, Delaware and National City Bank, which are Members FDIC. PNC does not provide legal, tax or accounting advice. PNC does not provide investment advice to Vested Interest plan sponsors or participants.

**Investments: Not FDIC Insured. No Bank Guarantee. May Lose Value.**

# **Midland-Guardian Co.**

## **Salaried Employees 401(k) Savings Plan**

**Financial Statements**

**With Accompanying Information**

**Years Ended December 31, 2010 and 2009**

**With Report of Independent Certified Public Accountants**



**BARNES DENNIG**

Accounting • Tax • Business Insight

**Report of Independent Certified Public Accountants**

To the Trustees of  
The Midland-Guardian Salaried Employees 401(k) Savings Plan  
Cincinnati, Ohio

We were engaged to audit the accompanying Statements of Net Assets Available for Benefits of The Midland-Guardian Salaried Employees 401(k) Savings Plan as of December 31, 2010 and 2009, and the related Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2010, and supplemental Schedule H, Line 4i – Schedule of Assets (Held at End of Year) at December 31, 2010. These financial statements and schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Income Security Act of 1974, the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 7, which was certified by PNC Bank, the trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the Plan Administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan Administrator has obtained a certification from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the Plan Administrator by the trustee 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 schedule taken as a whole. The form and content of the information included in the financial statements and schedule, other than that derived from the information certified by the trustee, 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 Department of Labor's Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Income Security Act of 1974.

*BARNES DENNIG & CO., LTD.*

Cincinnati, Ohio  
October 4, 2011

# MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

## Statements of Net Assets Available for Benefits December 31, 2010 and 2009

|                                                                                                  | <u>2010</u>          | <u>2009</u>          |
|--------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                                                    |                      |                      |
| <b>Investments:</b>                                                                              |                      |                      |
| Investments at fair value                                                                        |                      |                      |
| Mutual Funds                                                                                     | \$ 66,145,312        | \$ 61,326,298        |
| Common/Collective Trust Fund                                                                     | <u>1,639,528</u>     | <u>1,550,551</u>     |
| Total investments                                                                                | <u>67,784,840</u>    | <u>62,876,849</u>    |
| <b>Other:</b>                                                                                    |                      |                      |
| Contribution receivable                                                                          | 3,040                | -                    |
| Accrued investment income                                                                        | <u>21,879</u>        | <u>23,783</u>        |
| Net assets available for benefits at fair value                                                  | 67,809,759           | 62,900,632           |
| Notes receivable from participants                                                               | <u>1,652,325</u>     | <u>1,732,634</u>     |
| Adjustment from fair value to contract value<br>for fully benefit-responsive investment contract | <u>(34,184)</u>      | <u>3,899</u>         |
| Net assets                                                                                       | 69,427,900           | 64,637,165           |
| <b>Liabilities</b>                                                                               |                      |                      |
| <b>Excess contributions to be returned to participants</b>                                       | <u>-</u>             | <u>(49,378)</u>      |
| Net assets available for benefits                                                                | <u>\$ 69,427,900</u> | <u>\$ 64,587,787</u> |

The accompanying notes are an integral part of these financial statements

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Statement of Changes in Net Assets Available for Benefits Year Ended December 31, 2010

#### Additions:

##### Investment income:

|                                               |              |
|-----------------------------------------------|--------------|
| Net appreciation in fair value of investments | \$ 5,413,887 |
| Interest and dividend income                  | 1,045,216    |
| Other income                                  | <u>765</u>   |

|                         |                  |
|-------------------------|------------------|
| Total investment income | <u>6,459,868</u> |
|-------------------------|------------------|

|                                                       |               |
|-------------------------------------------------------|---------------|
| Interest income on notes receivable from participants | <u>83,871</u> |
|-------------------------------------------------------|---------------|

##### Contributions:

|          |                |
|----------|----------------|
| Employer | 1,671,209      |
| Employee | 4,582,153      |
| Rollover | <u>541,443</u> |

|                     |                  |
|---------------------|------------------|
| Total contributions | <u>6,794,805</u> |
|---------------------|------------------|

|                 |                   |
|-----------------|-------------------|
| Total additions | <u>13,338,544</u> |
|-----------------|-------------------|

#### Deductions:

|                                  |                  |
|----------------------------------|------------------|
| Benefit payments to participants | (7,887,109)      |
| Transfers to separate trust      | <u>(611,322)</u> |

|                  |                    |
|------------------|--------------------|
| Total deductions | <u>(8,498,431)</u> |
|------------------|--------------------|

|              |                  |
|--------------|------------------|
| Net increase | <u>4,840,113</u> |
|--------------|------------------|

#### Net assets available for benefits:

|                   |                   |
|-------------------|-------------------|
| Beginning of year | <u>64,587,787</u> |
|-------------------|-------------------|

|             |                             |
|-------------|-----------------------------|
| End of year | <u><u>\$ 69,427,900</u></u> |
|-------------|-----------------------------|

The accompanying notes are an integral part of these financial statements

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Basis of Presentation*

The accompanying financial statements of Midland-Guardian Salaried Employees 401(k) Savings Plan (the Plan) have been prepared on the accrual basis.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

The PNC Investment Contract Fund is a common trust fund administered by PNC Bank. This Fund's investment objectives are to maximize the current income, while maintaining principal and to provide for withdrawals for certain participant-initiated transactions without penalty or adjustments.

##### *Accounting Change*

In September 2010, the Financial Accounting Standards Board (FASB) issued guidance clarifying the classification and measurement of participant loans by defined contribution pension plans. The guidance requires that participant loans be classified as notes receivable from participants and measured at their unpaid principal balance, plus any accrued but unpaid interest. The accounting change is effective for fiscal years ending after December 15, 2010, with early adoption permitted. This amendment requires retrospective application to all periods presented. Prior year amounts and disclosures have been revised to reflect the retrospective application of this amendment. The adoption resulted in a reclassification of participant loans totaling \$1,652,325 and \$1,732,634 from investments to notes receivable from participants as of December 31, 2010 and 2009, respectively. As a result of this reclassification, these amounts were removed from the fair value measurement disclosures.

##### *Investment Valuation*

Investments are reported at fair value. Mutual funds are stated at fair value as determined by quoted market prices, which represents the net asset value of shares held by the Plan at year end. The Plan's interest in the collective trust is based at fair value of the collective trust's underlying investments based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end. Investment securities, 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 values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of net assets available for benefits. Notes receivable from participants are valued at carrying value, which approximates market value.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Investment Valuation (Continued)*

Management fees charged to the Plan for investments in the mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees are reflected as a reduction of investment return for such investments.

Purchases and sales of investments are accounted for on the trade date (the date the order to buy or sell is executed). The cost of investments sold is computed on an average cost basis. Dividend income is recorded on the ex-dividend date, and interest income is recorded as earned.

Net appreciation in fair value of investments consists of the net realized gain (loss) from sales of assets and the net unrealized gain (loss) from changes in the fair value of assets during the year.

##### *Benefit Payments*

Benefit payments are recorded when paid.

##### *Expenses*

During 2010, certain expenses and costs of administering the Plan were paid by Midland-Guardian Co. (the Plan Sponsor) and, accordingly, are not reflected in the Plan's financial statements.

##### *Related Party Transactions*

Certain Plan investments are shares of mutual funds managed by PNC Bank. PNC Bank is the Plan trustee, recordkeeper and asset custodian as defined by the Plan and, therefore, the related investment transactions qualify as exempt party-in-interest transactions in accordance with ERISA guidelines.

Several employees of Midland-Guardian Co. (the Company) provide administrative services to the Plan. These services include Plan oversight and day-to-day Plan administration. The Plan is not charged by the Company for the services of the employees to the Plan.

The Plan offers loans to participants. Related transactions qualify as exempt party-in-interest transactions in accordance with ERISA guidelines.

##### *Notes Receivable from Participants*

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the plan document.

##### *Subsequent Events*

The Plan has evaluated subsequent events through October 4, 2011, which is the date these financial statements were available to be issued, and have been determined that there are no subsequent events that require disclosure under applicable General Accepted Accounting Principles (GAAP) for subsequent events.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

#### NOTE 2 DESCRIPTION OF THE PLAN

The following description of the Midland-Guardian Salaried Employees 401(k) Savings Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

##### *General*

All full-time salaried employees of Midland-Guardian Co. and part-time employees who anticipate working 1,000 hours or more annually are eligible to participate in the Plan upon their hire date. The Plan is administered by a committee appointed by the Company's Board of Directors and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

##### *Contributions*

Effective January 1, 2002, the Plan was amended authorizing a basic minimum before tax employee contribution to be 1 percent up to 6 percent and a maximum to be 100 percent (base and supplemental) of the participant's compensation, as defined in the Plan. However, contributions may not exceed limitations established under Section 402(g) of the Internal Revenue Code (IRC) of 1986 as amended (\$16,500 at December 31, 2010). A participant may direct employee contributions in one-percent increments into various investment options offered by the Plan. Company contributions are automatically invested in the participant's selected investment options. Participants may change their investment elections daily. The Company matches 50 percent up to the first 6% of an employee's basic contribution.

##### *Rollover Contributions*

Participants may rollover their taxable portion of funds previously held for their account in another employee benefit plan to the Plan on a tax-free basis.

##### *Participant Accounts*

Individual accounts are maintained for each participant by the Plan's Trustee. Each participant's account is credited with the participant's and Company's contributions and a pro-rata allocation of the Plan's earnings and expenses. The pro-rata allocation is based upon each participant's earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 2 DESCRIPTION OF THE PLAN (CONTINUED)

##### ***Vesting***

Participants are vested immediately in their contributions. The vesting period in Company matching contributions is five (5) years. At the end of each year of employment, the employee will vest in 20 percent of the Company's matching contribution. Vesting is based on the date of hire, not the date of enrollment in the Plan.

If a participant terminates employment with the Company at any time and they are less than fully vested in their qualified matching contributions or earnings thereon, the non-vested portion is forfeited.

##### ***Forfeitures***

As of December 31, 2010 and 2009, forfeited non-vested accounts totaled \$39,182 and \$32,073, respectively. All forfeitures under the Plan are used to reduce future employer contributions to the Plan. During the year ended December 31, 2010, there were \$-0- forfeited non-vested amounts used to reduce employer contributions.

##### ***Payment of Benefits***

Upon termination of service due to death, disability or retirement, a participant (or his or her designated beneficiary) may elect to receive an amount equal to the value of the participant's vested interest in his or her account. The form of payment is a lump-sum distribution, rollover into another qualified plan or an annuity to be paid for up to a 10-year period.

In-service distributions are permissible from the Plan for participants that have attained the age of 59 1/2.

In conditions of "financial hardship", a participant may apply to the Plan administrator for approval to withdraw that portion of the participant's account balance necessary to meet the financial hardship, subject to the limitations of the Plan and the Internal Revenue Code.

Upon termination of the Plan, the assets will be distributed to participants in accordance with the Plan's provisions and existing laws and regulations.

##### ***Notes Receivable from Participants***

The Plan allows participants to borrow funds from their vested account balance subject to certain restrictions. Participants may take a minimum notes receivable of \$500 from their account. The maximum notes receivable is 50% of their vested account balance (up to a maximum of \$50,000). Notes receivable are repayable in one to five years unless the notes receivable is related to the purchase of the participant's primary residence, in which case the term may be up to thirty years. The interest rate applicable to Plan notes receivable is established at 1% over the prime rate.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 3 INVESTMENTS

Investments representing more than five percent of net assets available for benefits listed at market value are as follows at December 31:

|                                          | 2010          | 2009          |
|------------------------------------------|---------------|---------------|
| Federated Treasury Obligation Issue Fund | \$ 14,998,254 | \$ 16,793,058 |
| Artisan Mid Cap Value Fund               | 5,908,897     | 5,650,077     |
| American Euro Pacific Growth Fund        | 5,232,466     | 5,159,545     |
| American Balanced Fund                   | 5,129,034     | 4,928,473     |
| American Century Equity Income Investor  | 5,040,535     | 4,689,120     |
| Baron Asset Fund                         | 4,943,079     | 4,215,610     |
| American Funds Growth Fund of America    | 4,368,369     | 3,894,825     |

During 2010, the plan's investments appreciated by \$5,413,887.

#### NOTE 4 FAIR VALUE MEASUREMENTS

The financial statements have been prepared in accordance with applicable GAAP for fair value measurements and disclosures for financial assets and liabilities. Under the applicable GAAP literature, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. The applicable GAAP literature establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the ability to observe inputs as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

# MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

## Notes to Financial Statements (Continued)

### NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2010 and 2009.

*Cash and money market:* Valued at the net asset value (NAV) of shares held by the plan at year end.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Plan at year-end.

*Common/collective trusts:* Valued at fair value of the collective trust's underlying investments based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2010:

|                                    | Level 1              | Level 2             | Level 3     | Total                |
|------------------------------------|----------------------|---------------------|-------------|----------------------|
| Mutual funds                       | \$ 66,145,312        | \$ -                | \$ -        | \$ 66,145,312        |
| Common / collective<br>trust funds | -                    | 1,639,528           | -           | 1,639,528            |
| Total investments<br>at fair value | <u>\$ 66,145,312</u> | <u>\$ 1,639,528</u> | <u>\$ -</u> | <u>\$ 67,784,840</u> |

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2009:

|                                    | Level 1              | Level 2             | Level 3     | Total                |
|------------------------------------|----------------------|---------------------|-------------|----------------------|
| Mutual funds                       | \$ 61,326,298        | \$ -                | \$ -        | \$ 61,326,298        |
| Common / collective<br>trust funds | -                    | 1,550,551           | -           | 1,550,551            |
| Total investments<br>at fair value | <u>\$ 61,326,298</u> | <u>\$ 1,550,551</u> | <u>\$ -</u> | <u>\$ 62,876,849</u> |

#### NOTE 5 BENEFIT RESPONSIVE INVESTMENT

The Plan has a benefit-responsive investment contract with PNC Bank. Contract value is the relevant measurement attribute for that portion of the net assets of an investment company that are attributable to fully benefit-responsive investment contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of their employer-sponsored defined-contribution plan which invests in the Fund. An investment contract is considered to be fully benefit-responsive if: (1) it is effected directly between the fund and the issuer and may not be transferred without the consent of the issuer; (2) in the case of traditional investment contracts, the repayment of principal and interest is a financial obligation of the issuer, or, in the case of synthetic investment contracts, the issuer of a wrapper contract provides assurance that the future contract crediting rate will not be adjusted to less than zero; (3) the contract requires all permitted participant-initiated transactions with the fund to be at contract value, without limitation; (4) it is improbable that an event will occur that would limit the ability of the fund to transact at contract value with both the issuer and the fund unit holders; and (5) the fund allows unit holders reasonable access to their funds.

The existence of certain conditions can limit the trust's ability to transact at contract value with the issuers of its investment contracts. Specifically, any event outside the normal operation of the trust which causes a withdrawal from an investment contract may result in a negative market value adjustment with respect to such withdrawal. Examples of such events include, but are not limited to, partial or complete legal termination of fund, tax disqualification of the fund, and certain fund amendments if issuers' consent is not obtained. As of December 31, 2010, the occurrence of an event outside the normal operation of the trust which would cause a withdrawal from an investment contract is not considered to be probable.

In addition to the limitations noted above, issuers of investment contracts have certain rights to terminate a contract and settle at an amount which differs from contract value. For example, certain breaches by the fund of its obligations, representations, or warranties under the terms of an investment contract can result in its termination at market value, which may differ from contract value. Investment contracts may also provide for termination with no payment obligation from the issuer if the performance of the contract constitutes a prohibited transaction under ERISA or other applicable law.

## **MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN**

### **Notes to Financial Statements (Continued)**

#### **NOTE 5 BENEFIT RESPONSIVE INVESTMENT (CONTINUED)**

A number of factors can influence future crediting interest rates, which may include but are not limited to underlying portfolio performance, current market interest rates for reinvestment and duration posture.

Future crediting interest rates may vary based upon changes in the market and other plan and cash flow events which will impact the adjustment in the fund from fair value to contract value. The crediting interest rates are reviewed on a quarterly basis for resetting. The fund guarantees a return of principal and a specific minimum rate of return.

The fund administrator believes that it is not probable that events may occur that will limit the ability of the fund to transact at contract values with the issuer. The crediting interest rate was 2.38% and 2.22% at December 31, 2010 and 2009, respectively. The average yield based on crediting interest rate for the year ended December 31, 2010 and 2009 was 2.36% and 2.19%, respectively. The average yield based on GAAP income for the year ended December 31, 2010 and 2009 was 1.65% and 2.43%, respectively.

#### **NOTE 6 TAX STATUS**

The Plan uses a prototype plan document sponsored by PNC Bank. PNC received an opinion letter from the Internal Revenue Service (IRS), dated March 31, 2008, which states that the prototype document satisfies the applicable provisions of the Internal Revenue Code (IRC). The Plan was amended and restated effective January 1, 2009. The Plan has not obtained a new opinion letter or determination letter from the IRS. However, the Plan's management believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income tax has been included in the Plan's financial statements.

#### **NOTE 7 INFORMATION CERTIFIED BY THE TRUSTEE**

The following information provided by PNC Bank N.A. (PNC Bank), the Trustee of the Plan for the years ended December 31, 2010 and 2009 was certified by them to be accurate and complete with respect to the following:

- (a) The assets held by PNC Bank at December 31, 2010 and 2009 as well as the transactions involving these assets for the year ended December 31, 2010.
- (b) The amount of investment income (loss) for the year ended December 31, 2010.
- (c) Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2010.

## **MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN**

### **Notes to Financial Statements (Continued)**

#### **NOTE 8 PLAN TERMINATION**

The Company expects to continue the Plan indefinitely, but reserves the right to terminate it by a duly adopted written resolution of the Board of Directors of the Company. In the event of termination, the value of each participant's interest in Company matching contributions will become fully vested and Plan assets will be allocated to provide benefits to participants as set forth in the Plan, or as otherwise required by law.

#### **NOTE 9 PLAN TRANSFERS**

During 2010, the Plan recognized transfers to other plans of \$611,322. These investments represent assets related to employees who transferred employment from Midland-Guardian Co. to other companies during the year as the result of the sale of a company division.

#### **NOTE 10 SUBSEQUENT EVENT**

Effective December 31, 2011, this Plan will be merged with another qualified defined contribution plan.

# MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

## Schedule H, Line 4i – Schedule of Assets (Held at End of Year) December 31, 2010

Schedule H (Form 5500)  
EIN 31-0626204  
Plan Number – 002

| barn | Column B                                          | Column C                     | Column E             |
|------|---------------------------------------------------|------------------------------|----------------------|
|      | Identity of issuer, borrower<br>of similar entity | Description<br>of Investment | Current<br>Value     |
|      | American Balanced Fund                            | Mutual Fund                  | \$ 5,129,034         |
|      | American Century Diversified Bond Investor        | Mutual Fund                  | 3,139,900            |
|      | American Century Equity Income Investor           | Mutual Fund                  | 5,040,535            |
|      | American Century Small Cap Value Fund             | Mutual Fund                  | 2,815,738            |
|      | American Euro Pacific Growth Fund                 | Mutual Fund                  | 5,232,466            |
|      | American Funds Growth Fund of America             | Mutual Fund                  | 4,368,369            |
|      | Artisan Mid Cap Value Fund                        | Mutual Fund                  | 5,908,897            |
|      | Baron Asset Fund                                  | Mutual Fund                  | 4,943,079            |
|      | Blackrock High Yield Bond                         | Mutual Fund                  | 2,131,617            |
| *    | Federated Treasury Obligation Issue Fund          | Mutual Fund                  | 14,998,254           |
|      | Fid Spartan U.S. Equity Fund                      | Mutual Fund                  | 110,962              |
|      | Pioneer Fund class Y                              | Mutual Fund                  | 1,577,692            |
| *    | Royce Value Plus Service Fund                     | Mutual Fund                  | 2,127,425            |
|      | T Rowe 2010 Advisor Fund                          | Mutual Fund                  | 1,347,856            |
|      | T Rowe 2020 Advisor Fund                          | Mutual Fund                  | 2,306,273            |
|      | T Rowe 2030 Advisor Fund                          | Mutual Fund                  | 1,174,498            |
|      | T Rowe 2040 Advisor Fund                          | Mutual Fund                  | 2,921,563            |
|      | T Rowe 2050 Advisor Fund                          | Mutual Fund                  | 871,154              |
| *    | Loans to Participants                             | 4.25% - 10.5%                | 1,652,325            |
| *    | PNC Investment Contract Fund Y                    | Common/Collective Trust Fund | 1,639,528            |
|      |                                                   | Total investments            | <u>\$ 69,437,165</u> |

NOTE: The above data is based on information that has been certified as complete and accurate by the Trustee.

\* Denotes Party-In-Interest

See accompanying independent auditors' disclaimer of opinion.

# **Midland-Guardian Co.**

## **Salaried Employees 401(k) Savings Plan**

**Financial Statements**

**With Accompanying Information**

**Years Ended December 31, 2010 and 2009**

**With Report of Independent Certified Public Accountants**



**BARNES DENNIG**

Accounting • Tax • Business Insight

**Report of Independent Certified Public Accountants**

To the Trustees of  
The Midland-Guardian Salaried Employees 401(k) Savings Plan  
Cincinnati, Ohio

We were engaged to audit the accompanying Statements of Net Assets Available for Benefits of The Midland-Guardian Salaried Employees 401(k) Savings Plan as of December 31, 2010 and 2009, and the related Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2010, and supplemental Schedule H, Line 4i – Schedule of Assets (Held at End of Year) at December 31, 2010. These financial statements and schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Income Security Act of 1974, the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 7, which was certified by PNC Bank, the trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the Plan Administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan Administrator has obtained a certification from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the Plan Administrator by the trustee 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 schedule taken as a whole. The form and content of the information included in the financial statements and schedule, other than that derived from the information certified by the trustee, 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 Department of Labor's Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Income Security Act of 1974.

*BARNES DENNIG & CO., LTD.*

Cincinnati, Ohio  
October 4, 2011

# MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

## Statements of Net Assets Available for Benefits December 31, 2010 and 2009

|                                                                                                  | <u>2010</u>          | <u>2009</u>          |
|--------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                                                    |                      |                      |
| <b>Investments:</b>                                                                              |                      |                      |
| Investments at fair value                                                                        |                      |                      |
| Mutual Funds                                                                                     | \$ 66,145,312        | \$ 61,326,298        |
| Common/Collective Trust Fund                                                                     | <u>1,639,528</u>     | <u>1,550,551</u>     |
| Total investments                                                                                | <u>67,784,840</u>    | <u>62,876,849</u>    |
| <b>Other:</b>                                                                                    |                      |                      |
| Contribution receivable                                                                          | 3,040                | -                    |
| Accrued investment income                                                                        | <u>21,879</u>        | <u>23,783</u>        |
| Net assets available for benefits at fair value                                                  | 67,809,759           | 62,900,632           |
| Notes receivable from participants                                                               | <u>1,652,325</u>     | <u>1,732,634</u>     |
| Adjustment from fair value to contract value<br>for fully benefit-responsive investment contract | <u>(34,184)</u>      | <u>3,899</u>         |
| Net assets                                                                                       | 69,427,900           | 64,637,165           |
| <b>Liabilities</b>                                                                               |                      |                      |
| <b>Excess contributions to be returned to participants</b>                                       | <u>-</u>             | <u>(49,378)</u>      |
| Net assets available for benefits                                                                | <u>\$ 69,427,900</u> | <u>\$ 64,587,787</u> |

The accompanying notes are an integral part of these financial statements

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Statement of Changes in Net Assets Available for Benefits Year Ended December 31, 2010

#### Additions:

##### Investment income:

|                                               |              |
|-----------------------------------------------|--------------|
| Net appreciation in fair value of investments | \$ 5,413,887 |
| Interest and dividend income                  | 1,045,216    |
| Other income                                  | <u>765</u>   |

|                         |                  |
|-------------------------|------------------|
| Total investment income | <u>6,459,868</u> |
|-------------------------|------------------|

|                                                       |               |
|-------------------------------------------------------|---------------|
| Interest income on notes receivable from participants | <u>83,871</u> |
|-------------------------------------------------------|---------------|

##### Contributions:

|          |                |
|----------|----------------|
| Employer | 1,671,209      |
| Employee | 4,582,153      |
| Rollover | <u>541,443</u> |

|                     |                  |
|---------------------|------------------|
| Total contributions | <u>6,794,805</u> |
|---------------------|------------------|

|                 |                   |
|-----------------|-------------------|
| Total additions | <u>13,338,544</u> |
|-----------------|-------------------|

#### Deductions:

|                                  |                  |
|----------------------------------|------------------|
| Benefit payments to participants | (7,887,109)      |
| Transfers to separate trust      | <u>(611,322)</u> |

|                  |                    |
|------------------|--------------------|
| Total deductions | <u>(8,498,431)</u> |
|------------------|--------------------|

|              |                  |
|--------------|------------------|
| Net increase | <u>4,840,113</u> |
|--------------|------------------|

#### Net assets available for benefits:

|                   |                   |
|-------------------|-------------------|
| Beginning of year | <u>64,587,787</u> |
|-------------------|-------------------|

|             |                             |
|-------------|-----------------------------|
| End of year | <u><u>\$ 69,427,900</u></u> |
|-------------|-----------------------------|

The accompanying notes are an integral part of these financial statements

# MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

## Notes to Financial Statements

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Presentation*

The accompanying financial statements of Midland-Guardian Salaried Employees 401(k) Savings Plan (the Plan) have been prepared on the accrual basis.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

The PNC Investment Contract Fund is a common trust fund administered by PNC Bank. This Fund's investment objectives are to maximize the current income, while maintaining principal and to provide for withdrawals for certain participant-initiated transactions without penalty or adjustments.

#### *Accounting Change*

In September 2010, the Financial Accounting Standards Board (FASB) issued guidance clarifying the classification and measurement of participant loans by defined contribution pension plans. The guidance requires that participant loans be classified as notes receivable from participants and measured at their unpaid principal balance, plus any accrued but unpaid interest. The accounting change is effective for fiscal years ending after December 15, 2010, with early adoption permitted. This amendment requires retrospective application to all periods presented. Prior year amounts and disclosures have been revised to reflect the retrospective application of this amendment. The adoption resulted in a reclassification of participant loans totaling \$1,652,325 and \$1,732,634 from investments to notes receivable from participants as of December 31, 2010 and 2009, respectively. As a result of this reclassification, these amounts were removed from the fair value measurement disclosures.

#### *Investment Valuation*

Investments are reported at fair value. Mutual funds are stated at fair value as determined by quoted market prices, which represents the net asset value of shares held by the Plan at year end. The Plan's interest in the collective trust is based at fair value of the collective trust's underlying investments based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end. Investment securities, 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 values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of net assets available for benefits. Notes receivable from participants are valued at carrying value, which approximates market value.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Investment Valuation (Continued)*

Management fees charged to the Plan for investments in the mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees are reflected as a reduction of investment return for such investments.

Purchases and sales of investments are accounted for on the trade date (the date the order to buy or sell is executed). The cost of investments sold is computed on an average cost basis. Dividend income is recorded on the ex-dividend date, and interest income is recorded as earned.

Net appreciation in fair value of investments consists of the net realized gain (loss) from sales of assets and the net unrealized gain (loss) from changes in the fair value of assets during the year.

##### *Benefit Payments*

Benefit payments are recorded when paid.

##### *Expenses*

During 2010, certain expenses and costs of administering the Plan were paid by Midland-Guardian Co. (the Plan Sponsor) and, accordingly, are not reflected in the Plan's financial statements.

##### *Related Party Transactions*

Certain Plan investments are shares of mutual funds managed by PNC Bank. PNC Bank is the Plan trustee, recordkeeper and asset custodian as defined by the Plan and, therefore, the related investment transactions qualify as exempt party-in-interest transactions in accordance with ERISA guidelines.

Several employees of Midland-Guardian Co. (the Company) provide administrative services to the Plan. These services include Plan oversight and day-to-day Plan administration. The Plan is not charged by the Company for the services of the employees to the Plan.

The Plan offers loans to participants. Related transactions qualify as exempt party-in-interest transactions in accordance with ERISA guidelines.

##### *Notes Receivable from Participants*

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the plan document.

##### *Subsequent Events*

The Plan has evaluated subsequent events through October 4, 2011, which is the date these financial statements were available to be issued, and have been determined that there are no subsequent events that require disclosure under applicable General Accepted Accounting Principles (GAAP) for subsequent events.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

#### NOTE 2 DESCRIPTION OF THE PLAN

The following description of the Midland-Guardian Salaried Employees 401(k) Savings Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

##### *General*

All full-time salaried employees of Midland-Guardian Co. and part-time employees who anticipate working 1,000 hours or more annually are eligible to participate in the Plan upon their hire date. The Plan is administered by a committee appointed by the Company's Board of Directors and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

##### *Contributions*

Effective January 1, 2002, the Plan was amended authorizing a basic minimum before tax employee contribution to be 1 percent up to 6 percent and a maximum to be 100 percent (base and supplemental) of the participant's compensation, as defined in the Plan. However, contributions may not exceed limitations established under Section 402(g) of the Internal Revenue Code (IRC) of 1986 as amended (\$16,500 at December 31, 2010). A participant may direct employee contributions in one-percent increments into various investment options offered by the Plan. Company contributions are automatically invested in the participant's selected investment options. Participants may change their investment elections daily. The Company matches 50 percent up to the first 6% of an employee's basic contribution.

##### *Rollover Contributions*

Participants may rollover their taxable portion of funds previously held for their account in another employee benefit plan to the Plan on a tax-free basis.

##### *Participant Accounts*

Individual accounts are maintained for each participant by the Plan's Trustee. Each participant's account is credited with the participant's and Company's contributions and a pro-rata allocation of the Plan's earnings and expenses. The pro-rata allocation is based upon each participant's earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 2 DESCRIPTION OF THE PLAN (CONTINUED)

##### ***Vesting***

Participants are vested immediately in their contributions. The vesting period in Company matching contributions is five (5) years. At the end of each year of employment, the employee will vest in 20 percent of the Company's matching contribution. Vesting is based on the date of hire, not the date of enrollment in the Plan.

If a participant terminates employment with the Company at any time and they are less than fully vested in their qualified matching contributions or earnings thereon, the non-vested portion is forfeited.

##### ***Forfeitures***

As of December 31, 2010 and 2009, forfeited non-vested accounts totaled \$39,182 and \$32,073, respectively. All forfeitures under the Plan are used to reduce future employer contributions to the Plan. During the year ended December 31, 2010, there were \$-0- forfeited non-vested amounts used to reduce employer contributions.

##### ***Payment of Benefits***

Upon termination of service due to death, disability or retirement, a participant (or his or her designated beneficiary) may elect to receive an amount equal to the value of the participant's vested interest in his or her account. The form of payment is a lump-sum distribution, rollover into another qualified plan or an annuity to be paid for up to a 10-year period.

In-service distributions are permissible from the Plan for participants that have attained the age of 59 1/2.

In conditions of "financial hardship", a participant may apply to the Plan administrator for approval to withdraw that portion of the participant's account balance necessary to meet the financial hardship, subject to the limitations of the Plan and the Internal Revenue Code.

Upon termination of the Plan, the assets will be distributed to participants in accordance with the Plan's provisions and existing laws and regulations.

##### ***Notes Receivable from Participants***

The Plan allows participants to borrow funds from their vested account balance subject to certain restrictions. Participants may take a minimum notes receivable of \$500 from their account. The maximum notes receivable is 50% of their vested account balance (up to a maximum of \$50,000). Notes receivable are repayable in one to five years unless the notes receivable is related to the purchase of the participant's primary residence, in which case the term may be up to thirty years. The interest rate applicable to Plan notes receivable is established at 1% over the prime rate.

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 3 INVESTMENTS

Investments representing more than five percent of net assets available for benefits listed at market value are as follows at December 31:

|                                          | 2010          | 2009          |
|------------------------------------------|---------------|---------------|
| Federated Treasury Obligation Issue Fund | \$ 14,998,254 | \$ 16,793,058 |
| Artisan Mid Cap Value Fund               | 5,908,897     | 5,650,077     |
| American Euro Pacific Growth Fund        | 5,232,466     | 5,159,545     |
| American Balanced Fund                   | 5,129,034     | 4,928,473     |
| American Century Equity Income Investor  | 5,040,535     | 4,689,120     |
| Baron Asset Fund                         | 4,943,079     | 4,215,610     |
| American Funds Growth Fund of America    | 4,368,369     | 3,894,825     |

During 2010, the plan's investments appreciated by \$5,413,887.

#### NOTE 4 FAIR VALUE MEASUREMENTS

The financial statements have been prepared in accordance with applicable GAAP for fair value measurements and disclosures for financial assets and liabilities. Under the applicable GAAP literature, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. The applicable GAAP literature establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the ability to observe inputs as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

# MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

## Notes to Financial Statements (Continued)

### NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2010 and 2009.

*Cash and money market:* Valued at the net asset value (NAV) of shares held by the plan at year end.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Plan at year-end.

*Common/collective trusts:* Valued at fair value of the collective trust's underlying investments based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2010:

|                                    | Level 1              | Level 2             | Level 3     | Total                |
|------------------------------------|----------------------|---------------------|-------------|----------------------|
| Mutual funds                       | \$ 66,145,312        | \$ -                | \$ -        | \$ 66,145,312        |
| Common / collective<br>trust funds | -                    | 1,639,528           | -           | 1,639,528            |
| Total investments<br>at fair value | <u>\$ 66,145,312</u> | <u>\$ 1,639,528</u> | <u>\$ -</u> | <u>\$ 67,784,840</u> |

## MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

### Notes to Financial Statements (Continued)

#### NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2009:

|                                    | Level 1              | Level 2             | Level 3     | Total                |
|------------------------------------|----------------------|---------------------|-------------|----------------------|
| Mutual funds                       | \$ 61,326,298        | \$ -                | \$ -        | \$ 61,326,298        |
| Common / collective<br>trust funds | -                    | 1,550,551           | -           | 1,550,551            |
| Total investments<br>at fair value | <u>\$ 61,326,298</u> | <u>\$ 1,550,551</u> | <u>\$ -</u> | <u>\$ 62,876,849</u> |

#### NOTE 5 BENEFIT RESPONSIVE INVESTMENT

The Plan has a benefit-responsive investment contract with PNC Bank. Contract value is the relevant measurement attribute for that portion of the net assets of an investment company that are attributable to fully benefit-responsive investment contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of their employer-sponsored defined-contribution plan which invests in the Fund. An investment contract is considered to be fully benefit-responsive if: (1) it is effected directly between the fund and the issuer and may not be transferred without the consent of the issuer; (2) in the case of traditional investment contracts, the repayment of principal and interest is a financial obligation of the issuer, or, in the case of synthetic investment contracts, the issuer of a wrapper contract provides assurance that the future contract crediting rate will not be adjusted to less than zero; (3) the contract requires all permitted participant-initiated transactions with the fund to be at contract value, without limitation; (4) it is improbable that an event will occur that would limit the ability of the fund to transact at contract value with both the issuer and the fund unit holders; and (5) the fund allows unit holders reasonable access to their funds.

The existence of certain conditions can limit the trust's ability to transact at contract value with the issuers of its investment contracts. Specifically, any event outside the normal operation of the trust which causes a withdrawal from an investment contract may result in a negative market value adjustment with respect to such withdrawal. Examples of such events include, but are not limited to, partial or complete legal termination of fund, tax disqualification of the fund, and certain fund amendments if issuers' consent is not obtained. As of December 31, 2010, the occurrence of an event outside the normal operation of the trust which would cause a withdrawal from an investment contract is not considered to be probable.

In addition to the limitations noted above, issuers of investment contracts have certain rights to terminate a contract and settle at an amount which differs from contract value. For example, certain breaches by the fund of its obligations, representations, or warranties under the terms of an investment contract can result in its termination at market value, which may differ from contract value. Investment contracts may also provide for termination with no payment obligation from the issuer if the performance of the contract constitutes a prohibited transaction under ERISA or other applicable law.

## **MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN**

### **Notes to Financial Statements (Continued)**

#### **NOTE 5 BENEFIT RESPONSIVE INVESTMENT (CONTINUED)**

A number of factors can influence future crediting interest rates, which may include but are not limited to underlying portfolio performance, current market interest rates for reinvestment and duration posture.

Future crediting interest rates may vary based upon changes in the market and other plan and cash flow events which will impact the adjustment in the fund from fair value to contract value. The crediting interest rates are reviewed on a quarterly basis for resetting. The fund guarantees a return of principal and a specific minimum rate of return.

The fund administrator believes that it is not probable that events may occur that will limit the ability of the fund to transact at contract values with the issuer. The crediting interest rate was 2.38% and 2.22% at December 31, 2010 and 2009, respectively. The average yield based on crediting interest rate for the year ended December 31, 2010 and 2009 was 2.36% and 2.19%, respectively. The average yield based on GAAP income for the year ended December 31, 2010 and 2009 was 1.65% and 2.43%, respectively.

#### **NOTE 6 TAX STATUS**

The Plan uses a prototype plan document sponsored by PNC Bank. PNC received an opinion letter from the Internal Revenue Service (IRS), dated March 31, 2008, which states that the prototype document satisfies the applicable provisions of the Internal Revenue Code (IRC). The Plan was amended and restated effective January 1, 2009. The Plan has not obtained a new opinion letter or determination letter from the IRS. However, the Plan's management believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income tax has been included in the Plan's financial statements.

#### **NOTE 7 INFORMATION CERTIFIED BY THE TRUSTEE**

The following information provided by PNC Bank N.A. (PNC Bank), the Trustee of the Plan for the years ended December 31, 2010 and 2009 was certified by them to be accurate and complete with respect to the following:

- (a) The assets held by PNC Bank at December 31, 2010 and 2009 as well as the transactions involving these assets for the year ended December 31, 2010.
- (b) The amount of investment income (loss) for the year ended December 31, 2010.
- (c) Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2010.

## **MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN**

### **Notes to Financial Statements (Continued)**

#### **NOTE 8 PLAN TERMINATION**

The Company expects to continue the Plan indefinitely, but reserves the right to terminate it by a duly adopted written resolution of the Board of Directors of the Company. In the event of termination, the value of each participant's interest in Company matching contributions will become fully vested and Plan assets will be allocated to provide benefits to participants as set forth in the Plan, or as otherwise required by law.

#### **NOTE 9 PLAN TRANSFERS**

During 2010, the Plan recognized transfers to other plans of \$611,322. These investments represent assets related to employees who transferred employment from Midland-Guardian Co. to other companies during the year as the result of the sale of a company division.

#### **NOTE 10 SUBSEQUENT EVENT**

Effective December 31, 2011, this Plan will be merged with another qualified defined contribution plan.

# MIDLAND-GUARDIAN SALARIED EMPLOYEES 401(K) SAVINGS PLAN

## Schedule H, Line 4i – Schedule of Assets (Held at End of Year) December 31, 2010

Schedule H (Form 5500)  
EIN 31-0626204  
Plan Number – 002

| barn | Column B                                          | Column C                     | Column E             |
|------|---------------------------------------------------|------------------------------|----------------------|
|      | Identity of issuer, borrower<br>of similar entity | Description<br>of Investment | Current<br>Value     |
|      | American Balanced Fund                            | Mutual Fund                  | \$ 5,129,034         |
|      | American Century Diversified Bond Investor        | Mutual Fund                  | 3,139,900            |
|      | American Century Equity Income Investor           | Mutual Fund                  | 5,040,535            |
|      | American Century Small Cap Value Fund             | Mutual Fund                  | 2,815,738            |
|      | American Euro Pacific Growth Fund                 | Mutual Fund                  | 5,232,466            |
|      | American Funds Growth Fund of America             | Mutual Fund                  | 4,368,369            |
|      | Artisan Mid Cap Value Fund                        | Mutual Fund                  | 5,908,897            |
|      | Baron Asset Fund                                  | Mutual Fund                  | 4,943,079            |
|      | Blackrock High Yield Bond                         | Mutual Fund                  | 2,131,617            |
| *    | Federated Treasury Obligation Issue Fund          | Mutual Fund                  | 14,998,254           |
|      | Fid Spartan U.S. Equity Fund                      | Mutual Fund                  | 110,962              |
|      | Pioneer Fund class Y                              | Mutual Fund                  | 1,577,692            |
| *    | Royce Value Plus Service Fund                     | Mutual Fund                  | 2,127,425            |
|      | T Rowe 2010 Advisor Fund                          | Mutual Fund                  | 1,347,856            |
|      | T Rowe 2020 Advisor Fund                          | Mutual Fund                  | 2,306,273            |
|      | T Rowe 2030 Advisor Fund                          | Mutual Fund                  | 1,174,498            |
|      | T Rowe 2040 Advisor Fund                          | Mutual Fund                  | 2,921,563            |
|      | T Rowe 2050 Advisor Fund                          | Mutual Fund                  | 871,154              |
| *    | Loans to Participants                             | 4.25% - 10.5%                | 1,652,325            |
| *    | PNC Investment Contract Fund Y                    | Common/Collective Trust Fund | 1,639,528            |
|      |                                                   | Total investments            | <u>\$ 69,437,165</u> |

NOTE: The above data is based on information that has been certified as complete and accurate by the Trustee.

\* Denotes Party-In-Interest

See accompanying independent auditors' disclaimer of opinion.