INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

July 11, 2007

From: Bill Gela, Investment Consultants
Topic: The Broaster Company 401(k) Plan -- Quarterly Plan Summary Report

Enclosed is your Plan Summary Report for the quarter ending 6-30-2007, covering your mix of funds. This past 3-month period, ending June 30 was up nicely for the U.S. stock market and for the aggregate international stock markets (many bonds were slightly down). According to Lipper Fund Services, the average diversified U.S. stock mutual fund's second quarter 2007 total return was +6.4%, and the <u>S&P 500 Index was up approximately +6.3% for the second quarter of 2007</u>. <u>For the 12 months ending 6-30-2007, the S&P 500 Index was up +20.6%</u>. According to Morningstar™ all of your funds have performed well for both 5 and 10 years relative to similar "peer group" funds, with the exception of the Skyline Special Equities Fund for the past 10 years. (Note: Some of your funds have not been around for these full periods, but they have performed solidly since their beginnings.)

Relative to similar "peer group" funds, your fund mix has continued to perform well, with the exception of the Harbor Bond Fund, which has lagged for the past year. For the past 12 months ending 6-30-2007 (with the S&P 500 Index up a solid +20.6%) four of your eight stock-oriented funds outperformed or matched the S&P 500. 1 The Harbor International Retirement Fund led the way for your fund mix with a +34.2% return for the past 12 months, and your top performing bond fund was the Vanguard GNMA Fund at +5.9% for the past year. 2

[1] For the past 12 months, large & midsize company domestic funds (particularly value-oriented funds) outperformed small cap funds – for the 5-year period ending 6/30/2007, mid and small cap funds outperformed many large cap funds. Therefore, for the 12-month period many domestic funds that outperformed the S&P 500 Index were actively-managed large & midsize company value funds. Many smaller company funds trailed the S&P 500 Index (of large company stocks) for this 12-month period ending 6/30/2007. As has been pointed out many times previously, different investment styles lead and lag one another in performance at different times. This is one important reason why diversification is a popular investing concept.

[2] As you are probably aware, the Federal Reserve has increased interest rates many times over the past several years. These increases have dampened the performance of many domestic bond funds.

2nd QUARTER, 2007 PLAN SUMMARY REPORT – BROASTER COMPANY

Prepared by: *Investment Consultants (an affiliate of Compensation & Capital)*

Is Now The Right Time? [… to buy/sell stocks or bonds]

For the 1st Quarter, 2003 Report (see title above), having just experienced three tough "down market" years (2000-2002), we wrote: "The perfect time to invest is usually clear to professional investors and to the media – <u>but only looking back in time</u>! 20-20 hindsight is a beautiful thing! Unfortunately for those of us investing for our retirement in 401(k) and profit-sharing plans, we must invest continuously, today and in the future, without being able to turn the clock back." Since that report (1/1/2003 – 5/31/2007), the S&P 500 Index is up +88.5%, so it is clear that we knew that the market was "poised" to go up – NO!

Most investors, including the pros, have a tendency toward "selective memory" – that is, some investors tend to focus on their mistakes, while others only seem to remember their successes. The reality is that even professional portfolio managers who invest for a living make *some good* decisions and *some bad* decisions. This makes correctly "timing the market" extremely difficult. Because stock market movements are often dominated by spurts versus smooth swings, a few bad *asset allocation* decisions can undermine many good decisions. For this reason many investment professionals (including us) believe the best way to invest for one's retirement is: (1) to choose a long-term asset allocation strategy that matches up with your goals and stick to it [unless there is a dramatic change in your investment profile]; and (2) to *diversify* by investment style within your stock investments (for example, by having both growth and value stocks with a mix of holdings of small, mid-size, and large company stocks).

What Should You Do If The Stock Market Drops?

There is no one answer that fits everyone, but let me share some thoughts that are not obvious to every investor. Let's assume that you are a long-term stock investor (that is, you plan to have the bulk of your plan balances invested for 10 or more years). Would you rather purchase funds in the future at lower prices, as the market drops and your funds' stock values are lower? Or would you rather that each of your funds (and therefore your total plan balance) goes up in value each and every quarter? Now, instead of talking about mutual fund values, let's talk about something that we can all relate to -- cars. If you ran a business of buying used cars, fixing them up, and then selling them for a profit; would you want to initially buy the used cars for a lower or a higher price? Of course, for a lower price, when the car market is down! It is similar in investing. If you buy funds over time through payroll deductions, it would be better to buy the funds when they are lower in value. In other words, for the long-term investor, market slumps can be great news.

One way that some investors have dealt with their concerns of a future stock market slump is by shifting some of their *existing stock investments* toward more stable funds such as balanced (sometimes called "moderate allocation") funds, bond funds, and money market funds. [Even though balanced and bond funds will fluctuate up and down in price, such a shift toward them will undoubtedly result in overall lower volatility over time.] Having gotten more conservative with their *existing account balances*, the same investors also shift their *future salary deferral fund purchases* toward stock funds, thereby actually getting more aggressive with their future purchases. If the stock market subsequently drops, these investors are buying relatively more risky stock funds but at lower prices, while their existing portfolios' less aggressive asset allocations shield them from more severe stock market losses.

Only you know what is best for you, but each of us should have a plan regarding how to invest to meet our long-term needs and goals. For most of us, this plan will *not* change continuously, and it is helpful to preplan for both good and bad stock market conditions. This decreases the chance that emotion will get the best of our good judgement during times of market volatility.

BROASTER COMPANY - 2nd Quarter, 2007 Plan Summary Report
Funds' Performances for Periods Ended June 30, 2007

The following report is intended to help you in evaluating your investments [1], and in selecting your mix of mutual funds for the future. The average diversified U.S. stock mutual fund's second quarter 2007 total return was +6.4%; and for the 12-month period ending June 30, 2007, the total return was +18.7%. [For 12 months: the S&P 500 index returned +20.6%; the small-cap stock index returned +16.4% [2]; & the average international stock fund returned +27.0%]. The 3-month total return for taxable bond mutual funds averaged -0.3%, taking the average taxable bond fund total return to +6.3% for the previous 12 months. Lastly, money market funds' average yield was +4.6% for the previous 12 months. Remember that one quarter does *not* make your retirement investing a success or a failure, nor does it insure success or failure for the next quarter -- investing is a long-term proposition.

Fund Type	Periods Ended June 30, 2007: 1-Year Total Return *(Growth of $1,000)* [3]	**5-Year Average Return**	Fund Ranking [4] **5 Years**	10 Years
Stock-oriented:				
Large Cap Funds:				
(T. Rowe Price Equity Income) *[NASDAQ Code = PRFDX] [LV]* [5]	+22.6% *($1,226)*	**11.9%**	**38**	22
(Vanguard Total Stock Market Index) *[NASDAQ Code = VTSMX] [LB]*	+20.2% *($1,202)*	**11.8%**	**19**	25
(T. Rowe Price Growth Stock) *[NASDAQ Code = PRGFX] [LG]*	+22.9% *($1,229)*	**11.9%**	**14**	10
Mid Cap Fund:				
(Vanguard Mid Cap Index) *[NASDAQ Code = VIMSX] [MB]*	+20.6% *($1,206)*	**15.4%**	**25**	(----) [6]
Small Cap Funds:				
(Skyline Special Equities) *[NASDAQ Code = SKSEX] [SV]*	+17.6% *($1,176)*	**14.3%**	**45**	73
(Forward Hoover Small Cap Equities) *[NASDAQ Code = FFSCX] [SG]*	+16.9% *($1,169)*	**14.1%**	**25**	(----)
(William Blair Small Cap Growth/N) *[NASDAQ Code = WBSNX] [SG]*	+17.5% *($1,175)*	**17.5%**	**3**	(----)
International Fund:				
(Harbor International Retirement) *[NASDAQ Code = HRINX] [LV]*	+34.2% *($1,342)*	**21.5%**	**11**	22
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LB]*	+19.4% *($1,194)*	**13.2%**	**2**	2
Bond-Oriented Funds:				
(Vanguard GNMA) [7] *[NASDAQ Code = VFIIX]*	+5.9% *($1,059)*	**3.9%**	**11**	6
(Harbor Bond Institutional) [8] *[NASDAQ Code = HABDX]*	+4.8% *($1,048)*	**4.7%**	**25**	5
Money Market Fund:				
(FISERV Trust Institutional MM) *[NASDAQ Code = N/A]*	+3.5% *($1,035)*	**(-N/A-)**	(-N/A-)	

(Footnotes on next page) →

Footnotes:

[1] Remember that past performance is absolutely *not* a guarantee of future performance.

[2] Russell 2000 Index. All statistics in this paragraph are from the Wall Street Journal (Source: Lipper).

[3] If an investor had put $1,000 into each fund on June 30, 2006, one year later (on June 30, 2007) each fund would have been worth the amount in italics and parentheses below.

[4] Example -- "35" below means that the fund ranked in the top 35% in investment performance, as compared to funds with a similar investment style or objective, for the 5-year period or for 10 years ending June 30, 2007. This is commonly stated as "the fund ranked in the 35th percentile of its peer group." For percentile rankings, lower is better – a 35th percentile fund outperformed 65% of peer group funds for the timeperiod stated. Data supplied by Morningstar.

[5] The following categories are as defined by Morningstar. Small Cap, Mid Cap, and Large Cap refer to the average size of the companies whose stock is held in the fund. For your stock funds (and the stock holdings of your balanced funds if you have any): [first letter] L = Large Cap, M = Mid Cap, S = Small Cap; [second letter] G = Growth, V = Value, B = Blend (Value/Growth). Example – *[LV]* means a large cap, value style. A "Value" style means that typically the fund portfolio manager buys stocks that he/she thinks will both grow in price *and* currently can be purchased at a price that is a good value. A "Growth" style manager focuses on buying stocks that are anticipated to grow in price, regardless of the current price of the stock (that is, even if based on historical standards, the stock price seems expensive already). "Moderately Allocated" and "Conservatively Allocated" funds are "balanced funds" that hold a mixture of predominantly U.S. stocks and bonds; the former has a relatively higher position in stocks (50%-70%), while the latter has a relatively higher position in fixed income and cash (50%-80%). A "Foreign or International Equity" fund holds predominantly non-U.S. stocks, whereas a "World Stock" fund holds non-U.S. and U.S. stocks.

[6] Fund has not been in existence for all 10 years.

[7] Morningstar categorizes the Vanguard GNMA Fund as an "intermediate-term government bond fund".

[8] Morningstar categorizes the Harbor Bond Fund as an "intermediate-term bond fund". It is diversified across various bonds, including corporate and government bonds.