# INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

*July 14, 2008*

***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 6-30-2008, covering your mix of funds. This past 3-month period ending June 30 was down somewhat for the overall U.S. stock market and for the aggregate international stock markets, and was down slightly for the U.S. bond market. Within the U.S. stock market, growth-oriented funds significantly outperformed value-oriented funds. According to Lipper Fund Services, the average diversified U.S. stock mutual fund's second quarter 2008 total return was +0.2%, and the S&P 500 Index was down approximately –2.7% for the second quarter of 2008. For the 12 months ending 6-30-2008, the S&P 500 Index was down –13.1%. According to Morningstar™ all of your funds have performed solidly-to-well for both 5 and 10 years relative to similar "peer group" funds, with the exception of the Managers AMG Skyline Special Equities Fund, which has lagged significantly. We will monitor this closely going forward to assess if it is appropriate for your future fund mix. (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 solidly, with the exception of the William Blair Small Cap Growth Fund and the Managers AMG Skyline Special Equities Fund, which have lagged for the past year-plus. For the 12 months ending 6-30-2008 (with the S&P 500 Index down -13.1%) five of your eight stock-oriented funds outperformed the S&P 500.[1] The Harbor International Fund led the way for your stock-oriented fund mix with a –1.0% return for the past 12 months, and your top performing bond fund was the Harbor Bond Fund at +10.6% for the past year.***

[1] For the past 12 months most growth-oriented domestic funds substantially outperformed value-oriented funds, but most domestic funds (of all investment categories) had negative returns -- many were down more than -10%. For the 5-year period ending 6/30/2008, value-oriented and growth-oriented domestic funds had very similar levels of performance, and mid and small cap funds generally outperformed many large cap funds. 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.

# 2nd QUARTER, 2008 PLAN SUMMARY REPORT – BROASTER COMPANY

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

## Given domestic and global events, it seems as though we are in uncharted territory, what do I do now?

In early July of 2008 the S&P 500 Index drifted into "bear market" territory – i.e., when a stock market index (S&P 500 in this case) is down 20% or more from its peak level. From 1900 through the mid-1990's the U.S. stock market declined into a "bear market" 29 times, on average about once every three years. Such declines can result in fear setting in, and in permanent losses for the short-term investor or for those who attempt to "time the market". **For the long-term investor, however, declines in the overall stock market are common and are accepted as inevitable**. Although ***not*** guaranteed in the future, during our lifetimes each market decline has been more than compensated for by subsequent market growth. For the long-term investor, the stock market's upward trend has resulted in substantial long-term gains.

It is always wise to consider asset allocation alternatives[2], but the simple truth is -- ***historically*** stocks have no peer when it comes to long-term investment performance; and the longer the investment period that one had invested for, the less likely that stocks provided negative returns for that period. For example, for the period 1926-2007, 97% of the time stocks (as represented by the S&P 500 Index) had positive returns for each ten-year period.[3] Stated differently, only two times out of the 73 ten-year periods between 1926 and 2007 did stocks have a negative return. Many investors believe that stocks are riskier than they really are. Nearly half think that most stock investors "get wiped out" at least once in their lifetime. In truth, over every 20-year holding period since 1926, stocks have *never* lost money. [This is *not* intended to suggest that investors should invest only in stocks and stock funds, nor does this suggest that investors cannot experience significant losses in the stock market.]

**"The secret to stock market success is time, not timing,"** stated First Albany Corp.'s chief investment officer Hugh Johnson. "Just close your eyes and sit tight. Don't get caught up in attempts by people like me to tell you when there will be a correction, a swing up or a swing down. No one can do that consistently. We experts all know that, and it's worth confessing."

**Who might benefit from a prolonged stock market downturn?** Such a downturn could benefit investors who are continuously investing money in the stock market -- such as participants in 401(k) and profit sharing plans. Let's explore why and how this is true:

T. Rowe Price Associates (the mutual fund company) did a study looking at two hypothetical investors who both invest $100 a month for 5 years, each for a total investment of $6,000. The first investor enjoys a steadily rising stock market climbing 10% per year, for a 5-year total return of 61.1% [10% compounded]. At the end of the 5 years this investor's $100 per month investment is worth $7,717. The second investor also experiences a 5-year total market climb of 61.1%, but he/she experiences a "valley" and a "peak" along the way -- the market plunges 20% over the first two years and then rallies over the next three. Bad luck? Not at all! Because of the initial market dive stocks were bought at cheaper prices, and the second investor finishes the 5 years with $9,574, or *24% more* than the first investor does!

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[2] Asset allocation refers to the percentage mixture of different types of investments – e.g., stocks, bonds, international investments, money market funds, etc.

[3] For example, 1926-1935 = #1 ten-year period, 1927-1936 = #2, 1928-1937 = #3, and so on.

# BROASTER COMPANY - 2nd Quarter, 2008 Plan Summary Report
## Funds' Performances for Periods Ended June 30, 2008

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 2008 total return was +0.2%; and for the 12-month period ending June 30, 2008, the total return was -12.5%. [For 12 months: the S&P 500 index returned -13.1%; the small-cap stock index returned -16.2% [2]; & the average international stock fund returned -9.4%]. The 3-month total return for taxable bond mutual funds averaged -0.3%, taking the average taxable bond fund total return to +2.6% for the previous 12 months. Lastly, (retail taxable) money market funds' average yield was +3.4% 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, 2008: 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] | -17.3% *($827)* | **7.9%** | **44** | 22 |
| (Vanguard Total Stock Market Index) *[NASDAQ Code = VTSMX] [LB]* | -12.6% *($874)* | **8.6%** | **27** | 34 |
| (T. Rowe Price Growth Stock) *[NASDAQ Code = PRGFX] [LG]* | -8.5% *($915)* | **8.8%** | **30** | 17 |
| **Mid Cap Fund:** | | | | |
| (Vanguard Mid Cap Index) *[NASDAQ Code = VIMSX] [MB]* | -11.9% *($881)* | **12.9%** | **17** | 11 |
| **Small Cap Funds:** | | | | |
| (Managers AMG Skyline Special Eqs) [6] *[NASDAQ Code = SKSEX] [SV]* | -26.8% *($732)* | **8.2%** | **76** | 89 |
| (Forward Hoover Small Cap Equity) *[NASDAQ Code = FFSCX] [SG]* | -10.2% *($898)* | **12.2%** | **19** | (----) [7] |
| (William Blair Small Cap Growth/N) *[NASDAQ Code = WBSNX] [SG]* | -24.9% *($751)* | **9.3%** | **52** | (----) |
| **International Fund:** | | | | |
| (Harbor International Adm) *[NASDAQ Code = HRINX] [LV]* | -1.0% *($990)* | **22.1%** | **2** | 7 |
| **Moderate Allocation Fund – Stocks & Bonds:** | | | | |
| (T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LV]* | -6.0% *($940)* | **10.3%** | **4** | 2 |
| **Bond-Oriented Funds:** | | | | |
| (Vanguard GNMA) [8] *[NASDAQ Code = VFIIX]* | +7.8% *($1,078)* | **4.1%** | **5** | 5 |
| (Harbor Bond Institutional) [9] *[NASDAQ Code = HABDX]* | +10.6% *($1,106)* | **4.5%** | **5** | 2 |
| **Money Market Fund:** | | | | |
| (FISERV Trust Institutional MM) *[NASDAQ Code = N/A]* | +3.0% *($1,030)* | **(-N/A-)** | (-N/A-) | |

(Footnotes on next page) →

## Footnotes:

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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, 2007, one year later (on June 30, 2008) 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, 2008. 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 fund): [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). "Moderate Allocation" and "Conservative Allocation" 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 Formerly Skyline Special Equities.

7 Fund has not been in existence for all 10 years.

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

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