INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

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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 6-30-2012, covering your mix of funds. This past 3-month period ending June 30 was down for the overall U.S. stock market and was down more for the aggregate international stock markets, and it was up somewhat for the U.S. bond market. Within the U.S. stock market, most stock fund categories (as defined by Lipper investment styles and capitalizations) had returns of between -2.2% & -6.1% for the second quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's second quarter 2012 total return was -4.6%, and the S&P 500 Index was down approximately -2.8% for the second quarter. For the 12 months ending 6-30-2012 the S&P 500 Index was up +5.4%. According to Morningstar™ all of your funds have performed solidly-to-well for both 5 and 10 years relative to similar "peer group" funds. [Note: Your passive "index funds" (versus actively-managed funds) strive to mirror their indices' performances at all times – no more, no less.]

Relative to similar "peer group" funds, your fund mix has continued to perform well on average over the past 12 months ending 6-30-2012 – 4 funds within the top 25% of their peer groups' funds and 2 funds within the bottom 25% of their peer groups' funds. For the past 12 months ending 6-30-2012 (with the S&P 500 Index up +5.4%) one of your stock-oriented funds outperformed the S&P Index (not surprisingly – see footnote #1).[1] Your top performing stock-oriented fund was the Fidelity Contrafund at a +6.1% total return for the 12 months ending 6-30-2012, and your Vanguard GNMA (bond) Fund returned +5.8% for the same 12-month period.[2]

[Note: To put your funds' returns into perspective during the past five years' dynamic market conditions, your 7 stock-oriented funds have annualized total returns (compounded each year) of between -2.3% & +4.3% for the past 5 years ending 6/30/2012. This compares to +0.2% for the S&P 500 Index for the same 5-year period: 5 of your 7 stock-oriented funds exceeded the S&P 500 Index' return for this 5-year period. One of the laggards is your foreign large cap fund, many of which have lagged U.S. stock funds for this period.]

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[1] According to Lipper (7/9/2012 Wall Street Journal), for the past 12 months ending 6/30/2012 most domestic stock fund categories (out of all diversified, non-specialty categories) had negative returns -- between -5.1% & +3.0%. For the past 12 months large-cap stocks outperformed most other types of stocks, which resulted in the S&P 500 Index' strong relative performance. Four of your stock-oriented funds are foreign/international funds. For the 12 months ending 6/30/2012 the International (IL) stock fund category was down -13.8%. For the 5-year period ending 6/30/2012 all diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between -2.7% and +1.4%.

[2] According to Lipper, the average intermediate-term (U.S.) taxable-bond fund (IB) total return was +7.0% for the previous 12 months ending 6/30/2012.

2nd QUARTER, 2012 PLAN SUMMARY REPORT – BROASTER COMPANY
Prepared by: ***Investment Consultants (an affiliate of Compensation & Capital)***

Is It Time to Give Up on Stock Funds as an Important Part of Your Fund Mix?

Ten years ago I used the title (above) along with significant parts of these first three paragraphs [the words in brackets are mine & I have updated some of the statistics]. It is always wise to consider alternatives, 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 invests for, the less likely that stocks will provide negative returns for that period.[1] For example, for the period 1926-2001, over 90% of the time for each five-year period[2] stocks as represented by the S&P 500 Index have provided a positive return. For each ten-year period[3], 97% of the time stocks had positive returns. Stated differently, only two times out of the 67 ten-year periods between 1926 and 2001 did stocks have a negative return. [Since 2001, coming off of the strong stock market highs in the late 1990's, one rolling 10-year period (1/1/1999-12/31/2008) was negative; but, six of the ten five-year periods have been negative.]

From the archives – excerpts from pages 80-84, 10/94 Money magazine, [words in brackets are mine]:
•... If you haven't already memorized these numbers, do so: Over the past 68 years, stocks have returned an average of 10.3% annually (before taxes), more than twice the 5% returns for long-term Treasury bonds. And cash investments like Treasury bills merely matched the inflation rate at 3.1%. [**A "balanced" mix of stocks and bonds is appropriate for most long-term investors**. Bonds typically lower overall volatility.]
•... The chief reason for this equity [stock] aversion: fear of volatility [dramatic stock price movements over the short-term]... "But **if you hold cash ... the likelihood that you will lose purchasing power to inflation and taxes is 100%**."... True, stocks are likely to deliver a bumpy ride along with those higher average returns. [It's been quite bumpy since the original report in mid-2002. With the stock market advances and declines the S&P 500 Index was up +68.1% from 7/1/2002-6/30/2012; while the average "balanced" moderate allocation Morningstar fund was up +60.5% for the same period, with less risk.] Thus the percentage of your portfolio [your account balance] that you devote to equities should depend on your ability to tolerate the roller-coaster movements of the market... Not surprisingly, many investors also believe 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.

"The secret to stock market success is time, not timing," says 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." Adds Norman Fosback, editor of the *Market Logic* investment newsletter: " New investors need to hear that message. **Don't sell out of fear or buy out of greed. Just keep making investments, and let the market take its course over the long term**."

Because no one knows for sure what will happen in the stock market, nor when; a question that I have asked many individual investor clients follows. First, let's assume that the stock market is going to move 25-30% up or down over the next year or so. If the market moves upward and you miss much of the rise because you are invested more conservatively, will that "feel/be" worse for you than if the market drops and you avoid much of the downward movement. Oftentimes two significant variables that affect this answer are one's age and how much savings a person has already accumulated – for example, if you are young and you need to grow your savings substantially over time, you might be willing to invest a larger portion of your money in more volatile investments such as stocks. If you are closer to retirement, safety may be key.[4]

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[1] This paragraph includes excerpts and updated statistics from the fall 1993 Scudder, Stevens & Clark Inc. newsletter, "At the Helm".
[2] For example, 1926-1930 = #1, 1927-1931 = #2, and so on. Past performance is ***not*** a guarantee of future performance.
[3] For example, 1926-1935 = #1, 1927-1936 = #2, 1928-1937 = #3, and so on.
[4] If you believe that you need to make big changes in your current fund mix but you are concerned about current market conditions, consider spreading the fund transfers gradually over the next 2 or 3 quarters.

BROASTER COMPANY - 2nd Quarter, 2012 Plan Summary Report
Funds' Performances for Periods Ended June 30, 2012

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 2012 total return was -4.6%; and for the 12-month period ending June 30, 2012, the total return was -1.8%. [For 12 months: the S&P 500 index returned +5.4%; the small-cap stock index returned -2.1% [2]; & the average international stock fund returned -13.8%]. The 3-month total return for taxable bond mutual funds averaged +1.3%, taking the average taxable bond fund total return to +5.3% for the previous 12 months. Lastly, (retail taxable) money market funds' average yield was +0.01% 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, 2012: 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]	+2.6% *($1,026)*	**-0.9%**	**30**	32
(Vanguard Total Stock Market Index) *[NASDAQ Code = VTSMX] [LB]*	+3.8% *($1,038)*	**0.6%**	**18**	12
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]*	+6.1% *($1,061)*	**2.9%**	**19**	6
Mid Cap Fund:				
(Vanguard Mid Cap Index) *[NASDAQ Code = VIMSX] [MB]*	-2.9% *($971)*	**0.5%**	**34**	21
Small Cap Funds:				
(Royce Special Equity Invmt) *[NASDAQ Code = RYSEX] [SB]*	+2.9% *($1,029)*	**4.3%**	**5**	18
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	-4.0% *($960)*	**4.1%**	**12**	14
International Fund:				
(Harbor International Adm) *[NASDAQ Code = HRINX] [LB]*	-12.2% *($878)*	**-2.3%**	**9**	3
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LB]*	+4.3% *($1,043)*	**3.5%**	**8**	2
Bond-Oriented Funds:				
(Vanguard GNMA) [6] *[NASDAQ Code = VFIIX]*	+5.8% *($1,058)*	**7.0%**	**15**	10
(Harbor Bond Institutional) [7] *[NASDAQ Code = HABDX]*	+5.4% *($1,054)*	**8.4%**	**7**	11
(Templeton Global Bond Adv) *[NASDAQ Code = TGBAX]*	-0.9% *($991)*	**9.4%**	**6**	1
Money Market Fund:				
(TD Bank USA Institutional MMDA) *[NASDAQ Code = N/A]*	+0.0% *($1,000)*	**(-N/A-)**	(-N/A-)	

(Footnotes on next page) →

BROASTER COMPANY - 2nd Quarter, 2012 Plan Summary Report

(continued)

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, 2011, one year later (on June 30, 2012) 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, 2012. This is commonly stated as "the fund ranked in the 35^{th} percentile of its peer group." For percentile rankings, lower is better – a 35^{th} 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] Morningstar categorizes the Vanguard GNMA Fund as an "intermediate-term government bond fund".

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