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 6-30-2014, covering your mix of funds. This past 3-month period ending June 30 was up solidly for the overall U.S. stock market, modestly for the aggregate international stock markets, and slightly for the overall U.S. bond market. Within the U.S. stock market, the diversified stock fund categories (as defined by Lipper investment styles and capitalizations) had returns of between +0.2% & +5.0% for the second quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's second quarter 2014 total return was +3.4%, and the S&P 500 Index was up +5.2% for the second quarter. For the 12 months ending 6-30-2014 the S&P 500 Index was up +24.6%. According to Morningstar™ all of your funds have performed solidly-to-well for both 5 and 10 years relative to similar "peer group" funds. 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 solidly on average over the past 12 months ending 6-30-2014 – 3 funds within the top 25% of their peer groups' funds and 1 fund within the bottom 25% of its peer group's funds. For the past 12 months ending 6-30-2014 (with the S&P 500 Index up +24.6%) four of your six stock-oriented domestic funds outperformed the S&P 500 Index.[1] Your top performing stock-oriented fund was the Vanguard Mid Cap Index Fund at a +26.0% total return for the 12 months ending 6-30-2014, and your Templeton Global Bond Fund returned +7.4% for the same 12-month period.[2]

[Note: To put your funds' returns into perspective during the past five years' dynamic "up" market conditions, your 7 stock-oriented funds have annualized total returns (compounded each year) of between +12.9% & +22.1% for the past 5 years ending 6/30/2014. This compares to +18.8% for the S&P 500 Index for the same 5-year period: 4 of your 7 stock-oriented funds exceeded the S&P 500 Index' return for this 5-year period. Two of the laggards (domestic funds) were up +18.1% or more. The other laggard is your foreign large cap fund, most of which have significantly lagged U.S. stock funds for this period.]

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[1] According to Lipper (7/7/2014 Wall Street Journal), for the past 12 months ending 6/30/2014 all domestic diversified, non-specialty stock fund categories had positive returns -- between +21.0% & +26.6%. For the past 12 months the S&P 500 Index outperformed about 2/3 of the diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 6/30/2014 the International stock fund category was up +21.4%. For the 5-year period ending 6/30/2014 all domestic diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between +17.1% and +20.6%. [International stock fund category = +11.6% per year.]

[2] According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +3.6% for the previous 12 months ending 6/30/2014.

2nd QUARTER, 2014 PLAN SUMMARY REPORT – BROASTER COMPANY

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

Timing is Everything!:

Total Returns Below are in Percent (rounded to the nearest tenth):

Index	7-Year Period (ending 5/31/2014)	5-Year Period (ending 5/31/2014)
Barclays Aggregate Bond	43.5	27.4
Foreign Large Blend (Stocks)	2.8	64.9
S&P 500 (US Large Caps)	46.4	132.6
Russell 2000 (US Small Caps)	47.6	141.8

As you can observe from the data for the past five and seven years in the table above, a large stock market downturn (such as that which occurred predominantly in 2008) can significantly change the statistics associated with different categories of investments, and it can change our assumptions about their "normal, expected" returns. The last 5 year period has been a "good run" for 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 and average fund purchase price) goes up in value each and every quarter? 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/fears of a future stock market slump is by shifting a modest (or, depending on their level of concern, even a large) portion of their *existing stock investments* toward more stable funds such as balanced (sometimes called "moderate allocation") funds, bond funds [1], 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 can decide 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 should *not* change continuously. Pre-planning for both good and bad stock market conditions should lessen emotional overreactions.

[1] Because interest rates are still quite low and many investment professionals expect them to rise over time; if you wish to limit the downside risk of your fixed income (bond & money market) funds, you may wish to focus your fixed income investments on short-term bond funds and money market funds.

BROASTER COMPANY - 2nd Quarter, 2014 Plan Summary Report
Funds' Performances for Periods Ended June 30, 2014

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 2014 total return was +3.4%; and for the 12-month period ending June 30, 2014, the total return was +22.7%. [For 12 months: the S&P 500 index returned +24.6%; the small-cap stock index returned +23.6% [2]; & the average international stock fund returned +21.4%]. The 3-month total return for taxable bond mutual funds averaged +1.9%, taking the average taxable bond fund total return to +5.2% 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, 2014: 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]	+20.7% *($1,207)*	**18.1%**	**32**	39
(Vanguard Total Stock Market Index) *[NASDAQ Code = VTSMX] [LB]*	+25.0% *($1,250)*	**19.3%**	**12**	18
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]*	+25.7% *($1,257)*	**18.4%**	**34**	8
Mid Cap Fund:				
(Vanguard Mid Cap Index) *[NASDAQ Code = VIMSX] [MB]*	+26.0% *($1,260)*	**21.8%**	**20**	19
Small Cap Funds:				
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	+25.4% *($1,254)*	**21.9%**	**17**	20
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	+18.6% *($1,186)*	**22.1%**	**15**	6
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	+22.8% *($1,228)*	**12.9%**	**14**	(----) [6]
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LB]*	+18.8% *($1,188)*	**15.6%**	**2**	2
Bond-Oriented Funds:				
(Harbor Bond Institutional) [7] *[NASDAQ Code = HABDX]*	+4.8% *($1,048)*	**5.8%**	**55**	11
(Templeton Global Bond Adv) *[NASDAQ Code = TGBAX]*	+7.4% *($1,074)*	**8.4%**	**14**	1
(Vanguard ST Inv-Grade/Adm) *[NASDAQ Code = VFSUX]*	+3.3% *($1,033)*	**4.1%**	**25**	19
Money Market Fund:				
(TD Bank USA Institutional MMDA) *[NASDAQ Code = N/A]*	+0.0% *($1,000)*	**0.0%**	(-N/A-)	

(Endnotes on next page) →

Endnotes:

[1] Remember that past performance is absolutely <u>*not*</u> 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, 2013, one year later (on June 30, 2014) 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, 2014. 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] Fund has not been in existence for all 10 years.

[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.