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 9-30-2007, covering your mix of funds. This past 3-month period, ending September 30 was up slightly for the overall U.S. stock and bond markets and for the aggregate international stock markets. Within the U.S. stock market, large company funds generally outperformed mid-size and small company funds; and growth-oriented funds generally outperformed value-oriented funds by a significant margin. According to Lipper Fund Services, the average diversified U.S. stock mutual fund's third quarter 2007 total return was +1.0%, and the S&P 500 Index was up approximately +2.0% for the third quarter of 2007. For the 12 months ending 9-30-2007, the S&P 500 Index was up +16.4%. 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 very solidly, with the exception of the William Blair Small Cap Growth Fund, which has lagged for the past year. For the past 12 months ending 9-30-2007 (with the S&P 500 Index up a strong +16.4%) four of your eight stock-oriented funds outperformed the S&P 500 (one other fund was within 0.1%).[1] The Harbor International Retirement Fund led the way for your fund mix with a +36.8% return for the past 12 months, and your top performing bond fund was the Harbor Bond Fund at +5.4% for the past year.[2]

[1] For the past 12 months growth-oriented domestic funds outperformed value-oriented funds, and for the 5-year period ending 9/30/2007, mid and small cap funds outperformed many large cap funds. Therefore, for the 12-month period many of the domestic funds that outperformed the S&P 500 Index were growth-oriented funds, while most value-oriented funds trailed the index. 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.

Does the "Sub-prime Lending Crisis" really mean anything to most of us?

If you are in an ARM (adjustable rate mortgage) or in any mortgage that needs to be refinanced soon, or if you are currently buying a house; you probably know firsthand that the sub-prime lending crisis is making the task of getting a mortgage much more difficult for many people. In what other ways might the sub-prime lending crisis be affecting us as investors? Following are a few:

- Mutual funds directly invested in certain bonds and stocks, which dropped in value due to the sub-prime lending crisis, were negatively affected. Such bonds and stocks include: (1) mortgage bonds and securities which "repackage" mortgages; (2) stocks of mortgage lenders which made sub-prime loans; (3) stocks of housing-related companies; & (4) stocks of financial institutions (such as banks) which invested heavily in mortgages and/or housing-related companies. (Some wealthy hedge fund investors lost virtually all of their money that they had invested in mortgage-related securities.)
- Investors who invested in stock and bond market index funds (for example, an S&P 500 index fund) took losses when U.S. markets initially dropped in response to the sub-prime lending crisis. Many of these index funds have since recovered and moved to new highs, as of this writing in early October. But we are yet to see if the sub-prime lending crisis (combined with other market factors) will ultimately move the market down significantly; that is, will there be "a second shoe to drop"?
- A big factor in the recent late September/early October market up tick was the Federal Reserve Bank's lowering of the federal funds rate in mid-September. This was in response to the sub-prime lending crisis, and the Fed's concern that the crisis would lead to a significant economic downturn. Lowering the fed funds rate allows for greater liquidity in the economy, which results in relatively easier access to loans and lower interest rates for borrowers. Also, federal regulators are pressuring mortgage lenders to limit increases in ARM interest rates, which could be very helpful to those who are in adjustable rate mortgages.
- The sub-prime lending crisis has caused many foreign investors to lose a degree of confidence in the U.S. economy. This has resulted in further "weakness of the U.S. dollar" relative to many foreign currencies, which has two prominent effects on U.S. investors: (1) For those of us who have invested in international stock and/or bond funds over the past several years, we have benefited from the "weakness of the dollar" (in addition to some strong international economies) – that is, if foreign currencies strengthen, they are "worth" more dollars. Said differently, as they "strengthen", Euros or Canadian dollars (for example) are worth more U.S. dollars. Therefore if we are invested in an international mutual fund that invests in foreign company stocks, it goes up more in dollar-price as the dollar weakens. This adds to our returns on international funds. (By the way, the opposite occurs when the dollar "strengthens" relative to foreign currencies.) (2) Also, as the U.S. dollar weakens, people in foreign countries can buy more U.S. products for the same amount of their money – that is, U.S. products become cheaper. This usually results in more exports by U.S. companies, which help profits and help to prop up the companies' stock prices. Increased exports are helpful as the sub-prime lending crisis is having a detrimental effect on many sectors of the U.S. economy (including financial institutions, home builders, and housing supplies manufacturers).

The final chapters regarding the sub-prime lending crisis have not yet been written. If the sub-prime lending crisis contributes to pushing the U.S. and other economies around the world into recession, many stock markets will undoubtedly drop significantly. <u>This argues for continued diversification in our retirement investing</u>.

BROASTER COMPANY - 3rd Quarter, 2007 Plan Summary Report
Funds' Performances for Periods Ended September 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 third quarter 2007 total return was +1.0%; and for the 12-month period ending September 30, 2007, the total return was +17.6%. [For 12 months: the S&P 500 index returned +16.4%; the small-cap stock index returned +12.3% [2]; & the average international stock fund returned +26.3%]. The 3-month total return for taxable bond mutual funds averaged +1.7%, taking the average taxable bond fund total return to +4.8% for the previous 12 months. Lastly, (retail taxable) 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 September 30, 2007: 1-Year Total Return *(Growth of $1,000)* [3]	**5-Year Average Return**	Fund Ranking [4] **5 Years**	Fund Ranking [4] 10 Years
Stock-oriented:				
Large Cap Funds:				
(T. Rowe Price Equity Income) *[NASDAQ Code = PRFDX] [LV]* [5]	+14.6% *($1,146)*	**15.9%**	**49**	24
(Vanguard Total Stock Market Index) *[NASDAQ Code = VTSMX] [LB]*	+16.8% *($1,168)*	**16.3%**	**20**	28
(T. Rowe Price Growth Stock) *[NASDAQ Code = PRGFX] [LG]*	+19.9% *($1,199)*	**16.4%**	**19**	9
Mid Cap Fund:				
(Vanguard Mid Cap Index) *[NASDAQ Code = VIMSX] [MB]*	+18.0% *($1,180)*	**19.4%**	**29**	(----) [6]
Small Cap Funds:				
(Skyline Special Equities) *[NASDAQ Code = SKSEX] [SV]*	+8.5% *($1,085)*	**18.1%**	**36**	80
(Forward Hoover Small Cap Equities) *[NASDAQ Code = FFSCX] [SG]*	+16.3% *($1,163)*	**18.0%**	**45**	(----)
(William Blair Small Cap Growth/N) *[NASDAQ Code = WBSNX] [SG]*	+14.0% *($1,140)*	**22.8%**	**4**	(----)
International Fund:				
(Harbor International Retirement) *[NASDAQ Code = HRINX] [LV]*	+36.8% *($1,368)*	**28.9%**	**6**	17
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LB]*	+12.6% *($1,126)*	**14.9%**	**7**	2
Bond-Oriented Funds:				
(Vanguard GNMA) [7] *[NASDAQ Code = VFIIX]*	+5.2% *($1,052)*	**3.9%**	**5**	6
(Harbor Bond Institutional) [8] *[NASDAQ Code = HABDX]*	+5.4% *($1,054)*	**4.9%**	**17**	4
Money Market Fund:				
(FISERV Trust Institutional MM) *[NASDAQ Code = N/A]*	+3.5% *($1,035)*	**(-N/A-)**	(-N/A-)	

(Footnotes on next page) →

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[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 September 30, 2006, one year later (on September 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 September 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.