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 9-30-2012, covering your mix of funds. This past 3-month period ending September 30 was up for the overall U.S. stock market and was up more for the aggregate international stock markets, and it was up 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 +4.5% & +6.3% for the third quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's third quarter 2012 total return was +5.3%, and the <u>S&P 500 Index was up approximately+6.4% for the third quarter</u>. <u>For the 12 months ending 9-30-2012 the S&P 500 Index was up +30.2%</u>. According to Morningstar™ all of your funds have performed 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 9-30-2012 – 5 funds within the top 25% of their peer groups' funds and 0 funds within the bottom 25% of their peer groups' funds. For the past 12 months ending 9-30-2012 (with the S&P 500 Index up +30.2%) none of your stock-oriented funds outperformed the S&P Index (not surprisingly – see footnote #1).[1] Your top performing stock-oriented fund was the Vanguard Total Stock Market Index Fund at a +30.1% total return for the 12 months ending 9-30-2012, and your Templeton Global Bond Fund returned +13.3% 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 -2.4% & +6.5% for the past 5 years ending 9/30/2012. This compares to +1.1% 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, most of which have lagged U.S. stock funds for this period.]

[1] According to Lipper (10/3/2012 Wall Street Journal), for the past 12 months ending 9/30/2012 most domestic stock fund categories (out of all diversified, non-specialty categories) had positive returns -- between +24.2% & +29.1%. <u>For the past 12 months the S&P 500 Index outperformed every diversified domestic stock fund category. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 9/30/2012 the International stock fund category was up +15.7%</u>. For the 5-year period ending 9/30/2012 all diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between -1.3% and +2.0%.

[2] According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +7.5% for the previous 12 months ending 9/30/2012.

How to Reach $1Million……

On the cover of the August, 2012 Money Magazine is: "How to Reach $1Million – 5 Strategies to Save, Earn & Invest Your Way to Real Wealth". Like many such articles in reputable magazines, it details some good points for investors to consider. In a section titled " Stock Investing": (1) "… choose funds that give you the broadest exposure …"; (2) "If your 401(k) offers you a 50¢-on-the-dollar match … that's a 50% risk-free return. Take it."; (3) "… keeping six months' worth of expenses in cash should be sufficient when you're young …" In a section titled "Climbing the Ladder": (1) "Take classes on your own, attend industry seminars, and earn certifications that are in demand in your field …"; (2) "Get to know people who can offer you valuable career advice …" In a section titled "Power Saving": (1) "Aim to save at least 15% of your income for a period of 10 years or more …"; (2) "Power savers … many substantially increased contributions to their 401(k) or other retirement accounts after their children left home or during periods when both spouses were working …"; (3) "Set a target. Studies show that people who calculate how much money they need for retirement end up saving much more than those who don't. The retirement income calculator at troweprice.com can help you assess your number …"; (4) "Every time you get a bonus, tax refund, or other windfall, put half into savings."

The article referenced above also contains topics/opinions that are probably of marginal value to most investors, such as discussions proposing owning a business and becoming a landlord.

Much of the following is borrowed from a quarterly report from about seven years ago, and I believe the bullet points below remain valid. Not too long ago I had a conversation with my spouse about our level of preparedness for retirement. It included: (1) what we were saving (including our retirement plan and IRA's), (2) what our income is and our big expense items are, and (3) what we owed (including our mortgage balance). The family financial planning discussion was very constructive and it resulted in the following "financial planning thoughts" that I hope are helpful and/or thought-provoking to many of you:[1]

- To reach success in attaining financial independence during retirement, SAVING is every bit as important as INVESTING. Critical to successful saving is "living within your means", both during and after your working years.
- It is critical to strive to keep our lifestyle decisions in balance with our financial objectives. A family must balance current income demands, future financial responsibilities, quality of life, and current wants and needs. Developing a satisfactory and sustainable lifestyle *before* retirement is at least as crucial to a successful retirement as is the level of financial assets with which you enter retirement.
- Whatever Financial Plan you develop must be dynamic. It should be broad-based, grounded in reality, and you must be able to track its progression – consistently, but PATIENTLY. A Financial Plan will evolve as your family moves through different stages of life.
- Set priorities – immediately *involve your family* in the process of developing and tracking your Financial Plan. Participation by your family is imperative to the success of a Plan. Start setting priorities as early in life as possible -- when you are in "young adulthood" doing this is a challenge; when in "middle age" it is a problem; but by the time you are in "retirement" it can be a crisis!
- Doing whatever you can to stay physically healthy is tantamount to financial success.
- Responsible use of credit is very important – use credit cards for convenience, *not* for financing your lifestyle. Establish an "emergency fund" for possible job loss, and home & car repairs.
- Many financial experts suggest that life insurance (particularly "term life insurance") be properly used to support your dependents in the case of your death. It should *not* be used as an investment.

[1] Many of these items came from Ken Matson, who runs Compensation & Capital Administrative Services.

BROASTER COMPANY - 3rd Quarter, 2012 Plan Summary Report
Funds' Performances for Periods Ended September 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 third quarter 2012 total return was +5.3%; and for the 12-month period ending September 30, 2012, the total return was +25.5%. [For 12 months: the S&P 500 index returned +30.2%; the small-cap stock index returned +31.9% [2]; & the average international stock fund returned +15.7%]. The 3-month total return for taxable bond mutual funds averaged +2.5%, taking the average taxable bond fund total return to +8.3% 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 September 30, 2012: 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]	+28.9% *($1,289)*	**0.6%**	**24**	29
(Vanguard Total Stock Market Index) *[NASDAQ Code = VTSMX] [LB]*	+30.1% *($1,301)*	**1.5%**	**18**	13
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]*	+27.9% *($1,279)*	**2.8%**	**21**	11
Mid Cap Fund:				
(Vanguard Mid Cap Index) *[NASDAQ Code = VIMSX] [MB]*	+26.3% *($1,263)*	**1.7%**	**43**	26
Small Cap Funds:				
(Royce Special Equity Invmt) *[NASDAQ Code = RYSEX] [SB]*	+27.5% *($1,275)*	**6.5%**	**3**	44
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	+27.3% *($1,273)*	**3.9%**	**19**	9
International Fund:				
(Harbor International Adm) *[NASDAQ Code = HRINX] [LB]*	+20.1% *($1,201)*	**-2.4%**	**14**	3
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LB]*	+23.9% *($1,239)*	**4.8%**	**3**	2
Bond-Oriented Funds:				
(Vanguard GNMA) [6] *[NASDAQ Code = VFIIX]*	+3.9% *($1,039)*	**6.7%**	**15**	9
(Harbor Bond Institutional) [7] *[NASDAQ Code = HABDX]*	+10.4% *($1,104)*	**8.2%**	**10**	13
(Templeton Global Bond Adv) *[NASDAQ Code = TGBAX]*	+13.3% *($1,133)*	**9.8%**	**3**	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 - 3rd 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 September 30, 2011, one year later (on September 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 September 30, 2012. 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] 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.