INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

October 14, 2014

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 9-30-2014, covering your mix of funds. This past 3-month period ending September 30 was mixed, but generally down for the overall U.S. stock market; down for the aggregate international stock markets, and down 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 -7.1% & +1.3% for the third quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's third quarter 2014 total return was -1.9%, and the <u>S&P 500 Index was up +1.1% for the third quarter</u>. <u>For the 12 months ending 9-30-2014 the S&P 500 Index was up +19.7%</u>. 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, but mixed on average over the past 12 months ending 9-30-2014 – 4 funds within the top 25% of their peer groups' funds and 3 funds within the bottom 25% of their peer groups' funds. For the past 12 months ending 9-30-2014 (with the S&P 500 Index up +19.7%) none of your six domestic stock-oriented funds outperformed the S&P 500 Index – two of the six were above +17.0%.[1] Obviously, for this time period the place to be invested was in large U.S. companies. Your top performing stock-oriented fund was the Vanguard Total Stock Market Index Fund at a +17.6% total return for the 12 months ending 9-30-2014, and your Templeton Global Bond Fund returned +6.3% 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 +7.8% & +17.6% for the past 5 years ending 9/30/2014. This compares to +15.7% for the S&P 500 Index for the same 5-year period: 5 of your 7 stock-oriented funds either matched or exceeded the S&P 500 Index' return for this 5-year period. One of your two laggards 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 (10/6/2014 Wall Street Journal), for the past 12 months ending 9/30/2014 all domestic diversified, non-specialty stock fund categories had positive returns -- between +2.4% & +17.4%. <u>For the past 12 months the S&P 500 Index outperformed all of the diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 9/30/2014 the International stock fund category was up +3.9%</u>. For the 5-year period ending 9/30/2014 all domestic diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between +13.6% and +15.4%. [International stock fund category = +6.5% per year.]

2 According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +1.1% for the previous 12 months ending 9/30/2014.

3rd QUARTER, 2014 PLAN SUMMARY REPORT – BROASTER COMPANY

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

What Is Going On In The Economy & Stock Markets? & What To Do Now? [1]

The stock market can often be compared to a large storm. Thinking of the markets like an "act of nature" may be helpful. Like an act of nature:

- We cannot control the weather, *nor can we control the stock markets*. We must adapt to them.
- Storms are caused by global weather patterns, affected by major land masses and oceans; and they are the result of specific weather conditions within countries and within states (or other subdivisions of countries). *Stock market gyrations* can be caused by global events; affected by economics and geopolitical events; and are influenced by specific business, political and economic conditions within countries and industries. The subprime mortgage crisis of 2007 and 2008 had a dire economic impact on the U.S., moving us into an economic crisis, and it spread globally.
- We can study previous storms and storm patterns, and by doing so we can better prepare for future storms, but there are no guarantees as to when, where, and how severely the next storm will hit. *Similarly we can study stock markets and economic patterns* to better prepare for future stock market movements, but there are no guarantees as to the timing of and the level of the next stock market movement, up or down.
- If you listen to 10 meteorologists, you might hear differing weather forecasts. Similarly if you listen to 10 different so-called "financial market experts", you might hear *10 different stock market forecasts*. At least one important difference exists here: many so-called "financial market experts" represent financial institutions or organizations that have something to sell to you. For instance, a mutual fund complex might want to sell you its mutual funds; or a bank or insurance company might want to sell you the products that they represent, such as home equity loans, life insurance policies, or annuity products. It is important to consider the "conflicts of interest" that exist for many "financial market experts" -- who are often, in fact, investment product salespeople. Watch out for opportunists; i.e., those who have a lot to gain by your believing their version of reality, or those who attempt to give you false hope. If it looks too good to be true, it probably is!
- When skies are clear for a while, beware of the next storm. Similarly *when financial markets are performing well, do not assume that they will never go down!* [A common theme of these quarterly reports is "rebalancing" – in the hope of preparing for, and taking advantage of, inevitable stock market downturns and upturns (market cycles). Rebalancing means that once you have decided on an initial "target percentage mix" (or allocation) of funds that is best for you, at least annually you review the percentages that you have in each fund category (e.g., U.S. stocks, U.S. bonds, or foreign investments). Anytime a fund category's allocation percentage has moved 3-4% or more away from your original percentage mix, you adjust the fund's allocation back to its initial percentage. Rebalancing is intended to keep an investor's overall portfolio risk posture somewhat constant.] The opposite of the above also holds – *when financial markets are performing poorly, do not assume that they will never go up!* Note: once the market is dropping, it may be riskier for a long-term investor to "sell stock funds into a steep market drop" because he/she is "locking in losses" and he/she may consequently not benefit if/when the stock market eventually turns upward. This happened to many people who were over-invested in stocks coming into the steep market decline of 2007 and 2008, subsequently sold the stocks when prices were down, and then did not rebalance by buying more stock funds *before* the dramatic market advance of the past 5.5 years.
- Of course, some people will benefit from a weather storm, such as home repair companies and companies that sell backup electric generators. *Likewise some retirement plan investors have benefited from past stock market downturns (including 2007 and 2008)* – those who withheld a portion of their paychecks as 401(k) contributions and invested in their personalized and diversified "target mix" of stock funds every payday. When stock prices were down they purchased the stock funds at lower prices. In other words, when stock prices are down, these time periods can be very good times to invest for the future.

[1] This is a topic repeated from 2008 – unlike now, that was a time when the stock market was dropping precipitously – but the message still holds.

BROASTER COMPANY - 3rd Quarter, 2014 Plan Summary Report
Funds' Performances for Periods Ended September 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 third quarter 2014 total return was -1.9%; and for the 12-month period ending September 30, 2014, the total return was +12.0%. [For 12 months: the S&P 500 index returned +19.7%; the small-cap stock index returned +3.9% [2]; & the average international stock fund returned +3.9%]. The 3-month total return for taxable bond mutual funds averaged -0.8%, taking the average taxable bond fund total return to +3.6% 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, 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]	+13.4% *($1,134)*	**13.8%**	**47**	45
(Vanguard Total Stock Market Index) *[NASDAQ Code = VTSMX] [LB]*	+17.6% *($1,176)*	**15.7%**	**16**	17
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]*	+17.4% *($1,174)*	**15.7%**	**27**	8
Mid Cap Fund:				
(Vanguard Mid Cap Index) *[NASDAQ Code = VIMSX] [MB]*	+15.7% *($1,157)*	**16.9%**	**15**	16
Small Cap Funds:				
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	+5.8% *($1,058)*	**16.2%**	**16**	18
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	-1.3% *($987)*	**17.6%**	**11**	4
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	+5.1% *($1,051)*	**7.8%**	**14**	(----) [6]
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LG]*	+13.8% *($1,138)*	**13.2%**	**2**	2
Bond-Oriented Funds:				
(Harbor Bond Institutional) [7] *[NASDAQ Code = HABDX]*	+3.3% *($1,033)*	**4.6%**	**56**	12
(Templeton Global Bond Adv) *[NASDAQ Code = TGBAX]*	+6.3% *($1,063)*	**6.9%**	**10**	1
(Vanguard ST Inv-Grade/Adm) *[NASDAQ Code = VFSUX]*	+2.3% *($1,023)*	**3.2%**	**23**	17
Money Market Fund:				
(TD Bank USA Institutional MMDA) *[NASDAQ Code = N/A]*	+0.0% *($1,000)*	**0.0%**	(-N/A-)	

(Endnotes on next page) →

BROASTER COMPANY - 3rd Quarter, 2014 Plan Summary Report

(continued)

Endnotes:

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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 September 30, 2013, one year later (on September 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 September 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.