INVESTMENT CONSULTANTS
(A Registered Investment Advisor)

January 11, 2013

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 12-31-2012, covering your mix of funds. This past 3-month period ending December 31 was down slightly for the overall U.S. stock market and was up significantly for the aggregate international stock markets, and it was up for the 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 -1.0% & +3.8% for the fourth quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's fourth quarter 2012 total return was +0.8%, and the <u>S&P 500 Index was down -0.4% for the fourth quarter</u>. <u>For the 12 months ending 12-31-2012 the S&P 500 Index was up +16.0%</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. [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 12-31-2012 – 5 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 12-31-2012 (with the S&P 500 Index up +16.0%) four of your seven stock-oriented funds outperformed the S&P Index and two of them were within 0.6% of the S&P 500 Index.[1] Your top performing stock-oriented fund was the Harbor International Fund at a +20.6% total return for the 12 months ending 12-31-2012, and your Templeton Global Bond Fund returned +16.2% 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 -1.2% & +7.3% for the past 5 years ending 12/31/2012. This compares to +1.7% 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 (1/7/2013 Wall Street Journal), for the past 12 months ending 12/31/2012 most domestic stock fund categories (out of all diversified, non-specialty categories) had positive returns -- between +12.5% & +17.1%. <u>For the past 12 months the S&P 500 Index outperformed most diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 12/31/2012 the International stock fund category was up +17.7%</u>. For the 5-year period ending 12/31/2012 all diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between -0.1% and +4.3%.

[2] According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +5.4% for the previous 12 months ending 12/31/2012.

4th QUARTER, 2012 PLAN SUMMARY REPORT – BROASTER COMPANY

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

The Fiscal Cliff – to Free-Fall or Not To Free-Fall?

Well, are the economy and the investment markets OK now? What does the fact that we avoided the Fiscal Cliff (for now) mean for long-term investors? [Note: I am writing this report on January 2, 2013, and the market closed today with the DOW Jones Industrial Average up over 2% (over 300 points). Clearly, one good day in the stock market does not validate the "Deal" that was made yesterday.]

I believe that the Fiscal Cliff Deal struck yesterday is probably better than nothing for most of us, for now; but it does not come close to addressing the important budget/economic issues that our country is facing. The Congressional Budget Office (CBO) is a <u>non-partisan</u> analytical organization, which is intended to support Congress in setting policy. According to the CBO the new bill to avert the fiscal cliff will *reduce federal deficits over the next ten years by only about 8%!* To put this into a reference frame that we can all relate to – assume that your family of four constructed a budget for the next ten years and that you included in the budget your anticipated family income; necessary expense items (food, gas, rent or mortgage payments, etc.); and it also included new cars every three years, yearly vacations, and other nice (but not necessary) items. Now let's also assume that your family is currently $250,000 in debt (*not* including your mortgage); and that your bank needs to see a balanced budget for the next ten years, or it will not continue to lend you the $250,000 that you owe (forcing you into financial ruin). When you finished the budget, you found that you were $100,000 more in debt at the end of ten years. So each of the family members agree to get back together the following week at noon on Friday, each with specific commitments to either cut $25,000 of savings or to commit to second jobs to off-set part of their assigned $25,000 shortfalls. Then when everyone sits down on that Friday at noon, two of the family members have cut $4,000 each and the other two have cut nothing from the original plan. The $8,000 total savings still leaves a deficit or shortfall of $92,000. Needless to say, the bank is going to have a big problem with this, and your children are going to inherit a big problem!

Now there are big differences between the U.S. budget and a family budget, but make no mistake; what our politicians have done is similar to the example above in the following very important way:

- $8,000 family savings/incremental earnings versus $100,000 10-year budget deficit = <u>solving only 8%</u> of the problem, <u>*without cutting into any of the $250,000 debt already owed!*</u>
- The Fiscal Cliff Deal's $650 billion of combined U.S. savings & incremental earnings (i.e., taxes collected) versus the U.S.'s $7.9 trillion 10-year budget deficit (from CBO) = <u>solving only 8%</u> of the problem, <u>*1/12th, without cutting into any of the $16.4 trillion debt already owed!*</u>

So what does this mean for *long-term investors*? There is no clear answer, particularly in the short term, but many experienced investment professionals suggest:

- *Diversify across asset categories* (including investing in stock and bond funds) and *diversify within asset categories* (including investing in both U.S. and foreign stocks, and in intermediate-term and short-term bonds). Bond funds are often used to *lower the overall risk (or volatility)* of your investment portfolio.
- Continue to *focus on the timeframe* in which you anticipate using/spending a significant portion of your account balance and match this with how you invest. If you need to use the money in a short-term timeframe, you should be wary of investing too much in stocks. Keep in mind that $100 invested in the S&P 500 Index on 10/1/2007 fell to $49.83 by 2/28/2009 (17 months later), and on 7/31/2012 (4 years and 10 months more) that original $100 invested was worth $100.46, approximately the original level. Although each market downturn and upswing has its unique characteristics, if you do not have time to wait for recoveries from stock market downturns, you should be careful not to invest too much in stock funds – even if investing a significant portion of your savings in stocks makes good sense over the long haul (for example, the S&P 500 Index had a total return of +98.6% for the 10 years ending 12/31/2012).

BROASTER COMPANY - 4th Quarter, 2012 Plan Summary Report
Funds' Performances for Periods Ended December 31, 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 fourth quarter 2012 total return was +0.8%; and for the 12-month period ending December 31, 2012, the total return was +13.9%. [For 12 months: the S&P 500 index returned +16.0%; the small-cap stock index returned +16.4% [2]; & the average international stock fund returned +17.7%]. The 3-month total return for taxable bond mutual funds averaged +1.1%, taking the average taxable bond fund total return to +7.5% 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 December 31, 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]	+17.3% *($1,173)*	**1.6%**	**26**	31
(Vanguard Total Stock Market Index) *[NASDAQ Code = VTSMX] [LB]*	+16.3% *($1,163)*	**2.2%**	**18**	16
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]*	+16.3% *($1,163)*	**2.0%**	**35**	9
Mid Cap Fund:				
(Vanguard Mid Cap Index) *[NASDAQ Code = VIMSX] [MB]*	+15.8% *($1,158)*	**3.0%**	**43**	30
Small Cap Funds:				
(Royce Special Equity Invmt) *[NASDAQ Code = RYSEX] [SB]*	+15.4% *($1,154)*	**7.3%**	**4**	47
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	+10.3% *($1,103)*	**3.5%**	**37**	7
International Fund:				
(Harbor International Adm) *[NASDAQ Code = HRINX] [LB]*	+20.6% *($1,206)*	**-1.2%**	**11**	5
Moderate Allocation Fund – Stocks & Bonds:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LB]*	+14.7% *($1,147)*	**5.5%**	**2**	1
Bond-Oriented Funds:				
(Vanguard GNMA) [6] *[NASDAQ Code = VFIIX]*	+2.4% *($1,024)*	**5.9%**	**19**	11
(Harbor Bond Institutional) [7] *[NASDAQ Code = HABDX]*	+9.3% *($1,093)*	**7.5%**	**17**	13
(Templeton Global Bond Adv) *[NASDAQ Code = TGBAX]*	+16.2% *($1,162)*	**10.3%**	**1**	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 - 4th 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 December 31, 2011, one year later (on December 31, 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 December 31, 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.