Chicago Blower Corporation Profit Sharing & 401(k) Plans

Compensation & Capital's Financial Planning Commentary as of March 31, 2016
"Why Your Plan's Fund Mix Is Designed With Only Your Interests In Mind"

After over 16 years of being a discerning audience for our Quarterly Memos and Annual Profit Sharing Luncheon presentations, CBC's Plan participants and your Plan Trustees are well aware of Compensation & Capital's commitment to making your Plans' investment mix the best it can be. "Best" in this case comprises a full spectrum of measures. We provide options that are: Appropriate to any and all levels of investment sophistication. Distinctly different and broadly diversified across all asset classes and investment strategies generally appropriate to retirement investing. The most cost effective available to CBC's Plan. Patently respected, long-tenured investment managers. All continuously monitored and, if necessary, replaced by a 100% independent, expert resource that receives no revenue for this effort from any source other than CBC and is therefore answerable only to CBC's Plan participants' best interests.

Interestingly enough, the "participants' best interests" part of this spectrum is not the way many 401(k) retirement plan's and IRA's investment mix decisions are currently determined. That's why you may have recently heard or read about a push by the Department of Labor (DoL) to move the 401(k) industry closer to the model that CBC has supported all these years. It's called the "Fiduciary Standards Rule." How might these new rules impact you and your family and friends' quest for the best retirement investments?

The short answer is: For any retirement savings you maintain in the CBC Plans, the new rules present no need for concern or action. In fact they act to significantly validate the regimen that CBC supports in their relationship with Compensation & Capital.

For your (or your family and friends') savings NOT in the CBC Plan (like IRA's and other employer's plans) the new rules could be very helpful to insuring that your investments are selected solely for YOUR best interests. Here's why: The U.S. investment industry has always approached their responsibility to clients from two different positions. One uses a principles-based "Fiduciary Standard." The other, a rules-based "Suitability Standard." Each approach has validity. But the DoL feels consumers are best protected under the principles-based "Fiduciary" perspective. We agree.

The new regulation "requires retirement investment advisers to meet a "fiduciary" standard – putting their clients' best interest before their own profits." Let's pick that apart a bit:

- *What's a fiduciary?* A fiduciary is a party who knowingly accepts the responsibility to act in the best interest of the party whose assets they are managing. Its primary duties are care and loyalty.
- *What's the "Fiduciary Standard?*" According to The Employee Retirement Income Security Act of 1974 (ERISA): →Put the client's best interest first. →Act with prudence; that is, with the skill, diligence and good judgment of a professional. →Do not mislead clients; provide full and fair disclosure of all important facts. →Avoid conflicts of interest. →Fully disclose and fairly manage, in the client's favor, any unavoidable conflicts.
- *What's the "Suitability Standard?*" →Know your client. →Recommend products that are suitable for their situation. Clearly, the "Fiduciary Standard" is more specific than "Suitability Standard", especially as to explicitly avoiding conflicts of interest and putting the client first.
- *Does the new DoL rule require all retirement account investment advisers (to both plans and IRA's) to abide by "Fiduciary Standard" now?* Though it moves the industry much closer to that mark, it also continues to allow advisers that fulfill complex rules to gain exemptions to that standard. And that's where you, when considering your non-CBC Plan investments, need to be vigilant.

In short, the exemptions allow advisers to continue to work with clients under less than a fiduciary standard provided that structure is disclosed to the client in writing. So if you are considering a retirement investment outside the CBC Plans, be sure that you not only read that written disclosure but that you clearly understand how it will impact your adviser's recommendations. Your savings are hard won. Protect them. Don't ever assume that the investing part is outside your understanding or control. There are many reputable advisers. The new rules will make it easier to identify them.

"Lots of Work for Little Interest: Money Market Funds Get Complicated"

This story is about money market mutual funds. It's important. But it's not particularly earth shaking. Then again, neither is living near the San Andreas fault – until it shifts! And with that thought in mind, our friends at the SEC, the Securities and Exchange Commission, have recently gone to great lengths to shake up this bastion of little interest in hopes of girding it for the next "big one." So here's what's coming to make investing in money markets a lot more complicated for individuals and plans too.

Most investors have grown up thinking that Money Market Mutual Funds ("MMF's") are mostly like bank depository accounts. And though there are indeed similarities (very low risk of principal loss, relatively on-demand availability, low returns consisting of interest only) the primary difference (bank deposits are FDIC-guaranteed – MMF's are not) can be stark during a period of financial crisis like we last experienced in 2008. That's because, before this new SEC regulation, <u>all</u> MMF's were legally allowed to deviate from their "normal" $1.00 per share value. The MMF's seldom acted on this option. That's because...

Most investors just take for granted the stable $1.00 per share value of their MMF. They assume that the share value just stays at $1.00 so that the MMF's total return is the interest the MMF credits to your MMF account each month with no change in their account's market value. But in actuality, the MMF's investment portfolio contains securities (usually very low-risk and very short-term) whose values fluctuate (albeit mostly insignificantly) every minute of every day. Therefore, there's nothing about an MMF's investments that fundamentally keeps its share value stable at $1.00. In fact, in order to maintain that aura of stability, all MMF managements have historically strived to *voluntarily* <u>internally absorb</u> those minute-to-minute deviations. Why?

To truly understand why the SEC is devoting so much energy to turning the normally boring MMF industry on its head you need to grasp the risks inherent to a MMF company in supporting, or deviating from, a $1.00 per share value for your MMF account. Note that this "break the buck" option has only been employed by three MMF's since the first MMF opened in 1971. So though it was legally allowed, it's very uncommon.

It's so rare because "breaking the buck" is tantamount to commercial suicide for an MMF's management; once tainted, no investor would ever trust their savings to that MMF company again. That's the risk of <u>deviating</u> from the $1.00 per share value. That "hammer" alone has motivated all surviving MMF's to quietly and internally absorb the risk of <u>supporting</u> the $1.00 per share value. That risk is the very <u>in</u>frequent, very short-term and very small (generally less than 1%) downside deviation between the value of the MMF's underlying securities portfolio and its shareholders' shares valued at $1.00 per share. In other words, specifically during periods of acute capital crisis, the risk is that an MMF would have to "back-fill" the fund from management's own private capital to support a "run" on the MMF's cash if asked by all its shareholders to pay out their balances within a few days.

That internal absorption of redemption risk came under intense pressure in September of 2008 when the MMF industry became so uncomfortable with the financial risks they were "quietly" assuming that they convinced the U.S. Treasury to create a special one-year program that would, with a small fee to the MMF's, off-load that risk to the Federal government. So Congress tasked the SEC to create a new regimen that could avoid a recurrence of that situation. And now all retirement plan Trustees must navigate through the new rules and decide which option will best suit their plans' participants' needs. Some plans may be best served remaining with the MMF option currently in their fund mix. Others will conclude the best option is to replace their plan's current MMF. In either case, CBC's Plan trustees will be working with Compensation & Capital to communicate their MMF decision as well as its implications (if any) to each of you, well before the SEC's October deadline.

Chicago Blower Corporation Profit Sharing & 401(k) Plans' Vanguard Funds Performance Specifics and Comparatives

(All for periods ended March 31, 2016)

***Remember:* Past performance is absolutely NOT a guarantee of future performance!**

(1) A fund with a 17th Ranking outperformed 83% of its peers.

(2) "OER" or Operating Expense Ratio: Annual % of fund assets paid for fund operations and mgmt.

NAME OF VANGUARD SELECT VENUE FUND / *Morningstar Category Name*	Securities Type(s)	Morningstar™ Category Percentile (1) Ranking Past: 1 Year	5 Years	OER(2)	Total Return Performance for: Past Qtr	12 Mos	Average Annualized Total Return for: 3 Yrs	5 Yrs	10 Yrs	15 Yrs
PRIME MONEY MARKET - VMMXX	**Money Market**	**26th**	**18th**	**0.14%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**1.6%**	**1.9%**
Money Market Funds >>		*Category Average >>*		*0.17%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*1.4%*	*1.8%*
INTERMEDIATE TERM BOND INDEX ADM - VBILX	**Bonds**	**2nd**	**2nd**	**0.10%**	**4.1%**	**2.9%**	**2.7%**	**5.2%**	**6.1%**	**5.9%**
Intermediate Bond Funds >>		*Category Average >>*		*0.93%*	*2.0%*	*1.4%*	*1.5%*	*2.7%*	*4.1%*	*4.0%*
INFLATION PROTECTED SECURITIES ADM - VAIPX	**Bonds**	**3rd**	**4th**	**0.10%**	**4.6%**	**1.5%**	**-0.8%**	**3.0%**	**4.5%**	**5.4%**
Inflation-Protected Bond Funds >>		*Category Average >>*		*0.77%*	*3.6%*	*0.1%*	*-1.6%*	*2.0%*	*3.7%*	*4.8%*
WELLINGTON ADMIRAL - VWENX	**Bonds & Stocks**	**6th**	**4th**	**0.18%**	**1.9%**	**1.2%**	**7.9%**	**8.6%**	**7.3%**	**7.4%**
Moderate Allocation Funds >>		*Category Average >>*		*0.89%*	*0.9%*	*-2.9%*	*5.2%*	*5.9%*	*5.0%*	*5.3%*
EQUITY INCOME ADMIRAL - VEIRX	**Stocks**	**5th**	**3rd**	**0.20%**	**3.6%**	**4.5%**	**10.8%**	**12.3%**	**7.9%**	**7.4%**
Large-Cap U.S. Value Stock Funds >>		*Category Average >>*		*1.11%*	*1.3%*	*-3.0%*	*8.2%*	*8.8%*	*5.2%*	*5.7%*
500 INDEX ADMIRAL - VFIAX	**Stocks**	**13th**	**9th**	**0.05%**	**1.3%**	**1.8%**	**11.8%**	**11.5%**	**7.0%**	**6.0%**
Large-Cap U.S. Blend Stock Funds >>		*Category Average >>*		*1.03%*	*0.3%*	*-2.0%*	*9.6%*	*9.6%*	*6.0%*	*5.5%*
SELECTED VALUE - VASVX	**Stocks**	**35th**	**20th**	**0.41%**	**1.2%**	**-3.9%**	**9.4%**	**9.9%**	**7.6%**	**9.2%**
Mid-Cap U.S. Value Stock Funds >>		*Category Average >>*		*1.20%*	*2.4%*	*-5.5%*	*7.9%*	*8.1%*	*6.1%*	*8.4%*
GROWTH INDEX ADMIRAL – VIGAX	**Stocks**	**24th**	**10th**	**0.09%**	**0.3%**	**0.2%**	**12.6%**	**12.1%**	**8.1%**	**6.6%**
Large-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*1.17%*	*-2.5%*	*-2.4%*	*11.1%*	*9.9%*	*6.6%*	*5.4%*
MID-CAP GROWTH INVESTOR - VMGRX	**Stocks**	**57th**	**24th**	**0.44%**	**-2.7%**	**-8.8%**	**9.2%**	**9.2%**	**7.3%**	**6.9%**
Mid-Cap U.S. Growth Stock Funds >>		*Category Average >>*		*1.28%*	*-1.8%*	*-7.8%*	*8.4%*	*7.6%*	*6.0%*	*6.8%*
SMALL-CAP INDEX ADMIRAL - VSMAX	**Stocks**	**42nd**	**21st**	**0.09%**	**1.0%**	**-7.1%**	**8.5%**	**8.8%**	**6.8%**	**8.9%**
Small-Cap U.S. Blend Stock Funds >>		*Category Average >>*		*1.23%*	*0.6%*	*-8.1%*	*6.4%*	*6.7%*	*5.2%*	*8.0%*
INTERNATIONAL GROWTH ADMIRAL - VWILX	**Foreign Stocks**	**70th**	**53rd**	**0.34%**	**-2.0%**	**-7.6%**	**3.2%**	**2.7%**	**3.6%**	**5.4%**
Foreign Large Growth Stock Funds >>		*Category Average >>*		*1.17%*	*-2.5%*	*-2.4%*	*11.1%*	*9.9%*	*6.6%*	*5.4%*
EMERGING MARKETS INDEX ADMIRAL - VEMAX	**Foreign Stocks**	**66th**	**54th**	**0.15%**	**5.3%**	**-12.7%**	**-4.4%**	**-4.2%**	**2.8%**	**9.3%**
Diversified Emerging Markets Stock Funds >>		*Category Average >>*		*1.53%*	*3.9%*	*-11.4%*	*-4.5%*	*-3.8%*	*2.4%*	*8.9%*
ENERGY ADMIRAL - VGELX	**Energy Stocks**	**5th**	**8th**	**0.32%**	**7.8%**	**-13.9%**	**-6.7%**	**-5.5%**	**1.4%**	**8.4%**
Energy Sector Stock Funds >>		*Category Average >>*		*1.51%*	*2.2%*	*-25.0%*	*-12.3%*	*9.7%*	*-1.3%*	*4.9%*

Chicago Blower Corporation Profit Sharing & 401(k) Plans' Vanguard Funds Performance Specifics and Comparatives

(All for periods ended March 31, 2016)

***Remember:* Past performance is absolutely NOT a guarantee of future performance!**

(1) A fund with a 2nd Ranking outperformed 98% of its peers.

(2) "OER" or Operating Expense Ratio: Annual % of fund assets paid for fund operations and mgmt.

VANGUARD INDEXED AUTO-BALANCED FUND *Morningstar Category Name*	Securities Type(s)	Morningstar™ Category Percentile (1) Ranking Past: 1 Year	5 Years	OER(2)	Total Return Performance for: Past Qtr	12 Mos	Average Annualized Total Return for: 3 Yrs	5 Yrs	10 Yrs	15 Yrs
TARGET RETIREMENT INCOME - VTINX	**Target Date 2000-2010**	**2nd**	**10th**	**0.16%**	**2.4%**	**0.4%**	**3.6%**	**5.0%**	**5.2%**	**N/A**
Target Date 2000-2010 Funds >>		*Category Average >>*		*0.50%*	*1.7%*	*-1.4%*	*2.3%*	*3.5%*	*3.8%*	*3.8%*
TARGET RETIREMENT 2010 - VTENX	**Target Date 2000-2010**	**15th**	**16th**	**0.16%**	**2.1%**	**0.1%**	**4.4%**	**5.5%**	**N/A**	**N/A**
Target Date 2000-2010 Funds >>		*Category Average >>*		*0.54%*	*1.8%*	*-1.1%*	*3.5%*	*4.4%*	*3.8%*	*4.1%*
TARGET RETIREMENT 2015 - VTXVX	**Target Date 2011-2015**	**22nd**	**9th**	**0.16%**	**1.9%**	**-0.6%**	**5.3%**	**6.0%**	**5.3%**	**N/A**
Target Date 2011-2015 Funds >>		*Category Average >>*		*0.45%*	*1.6%*	*-1.6%*	*3.6%*	*4.7%*	*4.3%*	*N/A*
TARGET RETIREMENT 2020 - VTENX	**Target Date 2016-2020**	**26th**	**6th**	**0.16%**	**1.7%**	**-1.1%**	**6.0%**	**6.5%**	**N/A**	**N/A**
Target Date 2016-2020 Funds >>		*Category Average >>*		*0.52%*	*1.4%*	*-2.1%*	*3.8%*	*4.8%*	*3.9%*	*4.5%*
TARGET RETIREMENT 2025 - VTXVX	**Target Date 2021-2025**	**25th**	**10th**	**0.17%**	**1.5%**	**-1.5%**	**6.3%**	**6.7%**	**5.4%**	**N/A**
Target Date 2021-2025 Funds >>		*Category Average >>*		*0.46%*	*1.2%*	*-2.6%*	*4.7%*	*5.5%*	*4.1%*	*N/A*
TARGET RETIREMENT 2030 - VTENX	**Target Date 2026-2030**	**20th**	**9th**	**0.17%**	**1.3%**	**-2.0%**	**6.7%**	**6.9%**	**N/A**	**N/A**
Target Date 2026-2030 Funds >>		*Category Average >>*		*0.53%*	*0.9%*	*-3.2%*	*4.8%*	*5.4%*	*4.0%*	*4.7%*
TARGET RETIREMENT 2035 - VTXVX	**Target Date 2031-2035**	**22nd**	**13th**	**0.18%**	**1.1%**	**-2.5%**	**7.0%**	**7.1%**	**5.4%**	**N/A**
Target Date 2031-2035 Funds >>		*Category Average >>*		*0.46%*	*0.6%*	*-3.6%*	*5.4%*	*6.0%*	*4.3%*	*N/A*
TARGET RETIREMENT 2040 - VTENX	**Target Date 2036-2040**	**24th**	**9th**	**0.18%**	**0.8%**	**-3.1%**	**7.1%**	**7.3%**	**N/A**	**N/A**
Target Date 2036-2040 Funds >>		*Category Average >>*		*0.52%*	*0.5%*	*-4.0%*	*5.3%*	*5.7%*	*4.1%*	*4.8%*
TARGET RETIREMENT 2045 - VTXVX	**Target Date 2041-2045**	**27th**	**14th**	**0.18%**	**0.8%**	**-3.1%**	**7.1%**	**7.3%**	**5.5%**	**N/A**
Target Date 2041-2045 Funds >>		*Category Average >>*		*0.46%*	*0.4%*	*-4.1%*	*5.8%*	*6.2%*	*4.5%*	*N/A*
TARGET RETIREMENT 2050 - VTENX	**Target Date 2046-2050**	**24th**	**14th**	**0.18%**	**0.8%**	**-3.1%**	**7.1%**	**7.3%**	**N/A**	**N/A**
Target Date 2046-2050 Funds >>		*Category Average >>*		*0.51%*	*0.4%*	*-4.3%*	*5.5%*	*5.9%*	*4.1%*	*5.3%*
TARGET RETIREMENT 2055 - VTXVX	**Target Date 2051+**	**28th**	**18th**	**0.18%**	**0.8%**	**-3.3%**	**7.1%**	**7.3%**	**N/A**	**N/A**
Target Date 2051+ Funds >>		*Category Average >>*		*0.45%*	*0.2%*	*-3.9%*	*6.2%*	*6.5%*	*N/A*	*N/A*
LIFE STRATEGY CONSERVATIVE - VSCGX	**Conservative Allocation**	**10th**	**17th**	**0.15%**	**2.3%**	**0.0%**	**4.8%**	**5.2%**	**4.8%**	**5.1%**
Conservative Allocation Funds >>		*Category Average >>*		*0.85%*	*1.7%*	*-2.2%*	*2.6%*	*4.0%*	*4.1%*	*4.5%*
LIFE STRATEGY GROWTH - VASGX	**Aggressive Allocation**	**19th**	**21st**	**0.17%**	**1.1%**	**-2.3%**	**6.7%**	**6.8%**	**5.0%**	**5.6%**
Aggressive Allocation Funds >>		*Category Average >>*		*0.86%*	*0.6%*	*-4.4%*	*5.6%*	*5.8%*	*4.2%*	*4.8%*