

Chicago Blower Corporation Profit Sharing & 401(k) Plans

Compensation & Capital's Financial Planning Commentary as of June 30, 2012

"What's Driving Your Investing Attitude? What *Should* Be?"

By the time we pen our NEXT *Quarterly Commentary* we'll be into a whole new season. Yes, Fall will be upon us. But the season of political Robo-Calls will too. So if you are one of the electorate that actually picks up the phone when the ID says "Out of State Call" we thought a multiple choice polling question might help prime you for that coming tsunami of annoyance. Ring, Ring, Ring!

"When it comes to news that could impact your retirement security and your retirement investments specifically, which of the following provokes your most fervent concern?"

- a) The European Debt crisis.
- b) The U.S. "Fiscal Cliff" facing a political stalemate.
- c) Recovery from the stubborn recession that's not really a Recession.
- d) The go-nowhere stock market and slim-real-return bond market.
- e) None of the above.

Clearly our list of choices preceding the obligatory "None of the above" could have encompassed every letter of the alphabet and then some. Complexity has always been a staple of modern investing. But the greatly enhanced speed and breadth of information flows combined with globalization of markets and "New Normal" capital structures have resulted in a world where shorter-term risk-managed fundamental investing is tough even for the smartest guys in the room. Recent implosions on world-renown trading desks at JPMorgan and MFGlobal evidence this assertion.

So for many Americans, option (e) would be more appropriately phrased: "Absolutely Nothing. It's all so frustrating and arcane that I'm sick of worrying about it!" And though this attitude is probably a bit more negative than would be in your educational best interests, its "No Action" *outcome* is probably the best of the possible perspectives you could adopt. Here's why:

Successful long term investing is all about developing an appropriate investing strategy based upon a time horizon that's in sync with your intentions for actually using those savings to support your post-paycheck life, then adjusting that strategy based *only* upon changes in your personal situation that would somehow alter your projection of either the time horizon itself or your attendant retirement expenses. Any significant change to your strategy resulting solely from your concerns over current economic or market issues, no matter (within reason) how global or long-term you believe their consequences to be, is quite probably counterproductive to your long-term goals.

As for our polling question: (a) The solution to the European crisis will be initiated by either a break-up of the Euro or a capitulation of Germany to back the debts of its fellow Eurozone countries and banks. It will happen when and only when the credit markets *force* the banks, politicians, pensioners and taxpayers to compromise. (b) Only a succession of mini-crises will reconcile our multi-faceted "Fiscal Cliff" but in one way or another, over time the credit markets will force solutions to each hotly-debated issue. (c) Recovery from our recession will stretch far longer than expected and regardless of government intervention, only organically generated economic growth will foster and sustain it. (d) In the shadow of these huge and numerous clouds, financial markets' abhorrence of uncertainty will render them impotent to broad-based, sustained recovery over any sort of short-term timeframe.

There's no doubt that very different outcomes result from different investment strategies – especially in the short term. But the advantages provided by a time-appropriate, well-diversified, continuously funded strategy have stood the test of time and offer every retirement saver a relatively resilient oasis from the worries that saturate our daily world. Remember, strategy development help is available at www.planspecs.com/cbc >> *Plan Investing*. Or, contact us at info@plansecs.com with your questions.

Chicago Blower Corporation Profit Sharing & 401(k) Plans

Compensation & Capital's June 30, 2012

Retirement Saving and Investing "Action Points"

Plan Fees in the Spotlight – Part III: Fund Fees and Fund Performance

Our past two Quarters' *Memo Page 2's* have offered explanations for and previews of coming Department of Labor ("DoL") required disclosures to all 401(k) Plan participants. The new Regs intend to provide comprehensive information as to the actual costs borne by plan participants, investment performance and plan operations details. January's *Memo* overviewed the regulations and provided insight specifically into your Plans' very participant-friendly cost structure relative to the broad base of fee-laden 401(k) Plans that are the primary target of the new laws. April's *Memo* detailed all the costs required to provide a 401(k) Plan and explained the [minimal] costs that CBC requires participants to bear.

This quarter we proceed to comments and insight into the portion of the regulations requiring information on your Plans' funds' historical performance and attendant investment management fees. Once again, generally speaking, we applaud the DoL on their effort – at least as it applies to plan participants that have been historically far less well-informed than CBC's. That said, compared to the quarterly information we provide to you in our Quarterly Memos, we find the regulations' required information wanting and potentially misleading. Here are a couple of our concerns:

The DoL's required disclosure implies a far greater correlation between a fund's investment return and its operating expense ratio "OER" than is evidenced by countless independent studies:

A fund's "OER" is the rate of fund expenses charged against all shareholder account values. Though funds with a low OER have a better chance at slightly higher returns than their competitors with higher OER's, a low OER doesn't *guarantee* better performance. The DoL's focus on OER tempts unsophisticated participants to accept a false premise that funds with the lowest OER's offer the best investments in the Plan. This is patently incorrect and potentially harmful to participants' decisions.

Published Total Return performance always *includes* the fund's OER as an offset to its "gross-of-OER" return which is almost never published. This is true for stats in our Memos and as well as stats in the new DoL-required disclosures. Broadly speaking, a fund's "category" (say, domestic stocks vs. emerging markets stocks vs. corporate bonds vs. money markets) will have a significant bearing on its OER because portfolios specializing in certain categories – bonds for instance – are simply less costly to manage than other categories – for example, emerging markets stocks or small company domestic stocks. When your CBC Plans' funds are selected and continuously monitored for performance as required by the Plans' Trustees, a fund's OER is certainly *considered* but only as one of many criteria. In short, don't let a very low OER guide your choice of one fund over another.

The DoL requires each of your Plans' fund's performance stats to be compared to "an appropriate broad-based securities market index":

Note this memo's tables (following) compare each of your funds to their investment category peers – not to a "broad-based securities market index." That's because the latter (DoL-required) comparison can be very misleading. For example, the S&P 500 Index is the broadest index of U.S. stock market performance available. It essentially includes the 500 largest companies in the U.S. But its technical construct results in the top 50 companies accounting for over 50 percent of its return. Therefore if, as occurred over the 10 or so years before 2011, those 50 companies are very out-of-favor, comparison to the S&P 500 Index could make low quality funds in other stock-based categories look much better than they would if compared to their peers. Suffice to say we will comply with the DoL for purposes of their required annual disclosures but will continue to provide in these ongoing Quarterly Memos what we believe to be far more insightful and objective comparisons to category peers.

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

(All for periods ended June 30, 2012)

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

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

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

NAME OF VANGUARD SELECT VENUE FUND <i>Morningstar Category Name</i>	Securities Type(s)	Morningstar™ Category Percentile ⁽¹⁾ Ranking Past		OER ⁽²⁾	Total Return Performance for		Average Annualized Total Return for:			
		1 Year	10 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
PRIME MONEY MARKET - VMMXX	Money Market	17th	16th	0.20%	0.0%	0.0%	0.1%	1.2%	1.9%	2.9%
<i>Money Market Funds >></i>		<i>Category Average >></i>		0.23%	0.0%	0.0%	0.0%	1.0%	1.6%	2.6%
INTERMEDIATE TERM BOND INDEX SIGNAL - VIBSX	Bonds	2nd	8th	0.11%	3.3%	11.1%	9.9%	8.7%	6.8%	7.1%
<i>Intermediate Bond Funds >></i>		<i>Category Average >></i>		0.92%	1.8%	6.6%	8.3%	6.2%	5.3%	5.7%
INFLATION PROTECTED SECURITIES ADM - VAIPX	Bonds	4th	39th	0.11%	3.3%	11.9%	9.6%	8.2%	7.1%	N/A
<i>Inflation-Protected Bond Funds >></i>		<i>Category Average >></i>		0.84%	2.4%	9.1%	8.9%	7.2%	6.6%	6.4%
WELLINGTON ADMIRAL - VWENX	Bonds & Stocks	8th	5th	0.19%	-1.0%	5.3%	12.7%	3.6%	7.1%	7.3%
<i>Moderate Allocation Funds >></i>		<i>Category Average >></i>		1.02%	-2.2%	0.9%	11.3%	1.4%	5.2%	5.2%
EQUITY INCOME ADMIRAL - VEIRX	Stocks	3rd	7th	0.22%	-0.8%	9.4%	18.6%	1.8%	6.4%	6.6%
<i>Large-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.24%	-3.6%	0.5%	13.8%	-2.1%	4.7%	4.8%
500 INDEX SIGNAL - VIFSX	Stocks	11th	26th	0.05%	-2.8%	5.4%	16.4%	0.2%	5.3%	4.7%
<i>Large-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		1.12%	-4.2%	0.9%	14.2%	-0.9%	4.7%	4.7%
SELECTED VALUE - VASVX	Stocks	17th	35th	0.45%	-4.0%	-0.1%	17.5%	0.5%	7.5%	6.6%
<i>Mid-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.31%	-4.8%	-3.4%	16.7%	-0.7%	6.8%	6.9%
GROWTH INDEX SIGNAL - VIGSX	Stocks	9th	28th	0.10%	-3.9%	6.5%	17.7%	3.1%	6.0%	4.8%
<i>Large-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.29%	-5.6%	0.8%	14.8%	1.0%	5.2%	4.7%
MID-CAP GROWTH INVESTOR - VMGRX	Stocks	18th	31st	0.53%	-4.5%	0.4%	19.3%	2.9%	8.1%	N/A
<i>Mid-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.38%	-6.0%	4.3%	17.0%	1.2%	7.0%	6.6%
SMALL-CAP INDEX SIGNAL - VSISX	Stocks	25th	18th	0.10%	-3.5%	-1.4%	19.9%	1.9%	8.1%	7.1%
<i>Small-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		1.37%	-4.9%	-3.7%	17.2%	-0.4%	6.6%	7.4%
INTERNATIONAL GROWTH ADMIRAL - VWILX	Foreign Stocks	69th	41st	0.34%	-7.8%	-13.5%	9.4%	-3.1%	6.7%	4.0%
<i>Foreign Large Blend Stock Funds >></i>		<i>Category Average >></i>		1.30%	-6.9%	-13.9%	6.4%	-5.7%	4.7%	3.0%
EMERGING MARKETS INDEX SIGNAL - VERSX	Foreign Stocks	50th	32nd	0.20%	-8.4%	-15.8%	9.9%	-0.2%	13.8%	6.4%
<i>Diversified Emerging Markets Stock Funds >></i>		<i>Category Average >></i>		1.63%	-8.2%	-16.1%	9.0%	-2.0%	12.8%	6.1%
ENERGY ADMIRAL - VGELX	Energy Stocks	30th	10th	0.28%	-8.5%	-14.6%	8.8%	-0.6%	13.1%	11.4%
<i>Energy Sector Stock Funds >></i>		<i>Category Average >></i>		1.63%	-9.6%	-15.9%	5.9%	-5.9%	10.1%	9.1%

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

(All for periods ended June 30, 2012)

(1) A fund with a 6th Ranking outperformed 94% of its peers.

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

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

NAME OF VANGUARD AUTO-BALANCED FUND <i>Morningstar Category Name</i>	Securities Type(s)	Morningstar™ Category Percentile ⁽¹⁾ Ranking Past		OER ⁽²⁾	Total Return Performance for		Average Annualized Total Return for:			
		1 Year	5 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TARGET RETIREMENT INCOME - VTINX	Target Date 2000-2010	6th	9th	0.17%	0.3%	5.6%	9.6%	5.0%	N/A	N/A
<i>Retirement Funds >></i>		<i>Category Average >></i>		0.49%	-0.6%	2.5%	9.6%	3.1%	4.4%	4.6%
TARGET RETIREMENT 2010 - VTENX	Target Date 2000-2010	5th	12th	0.17%	-0.6%	4.1%	11.3%	3.3%	N/A	N/A
<i>Target Date 2000-2010 Funds >></i>		<i>Category Average >></i>		0.55%	-1.3%	1.2%	10.2%	1.6%	4.6%	4.9%
TARGET RETIREMENT 2015 - VTXVX	Target Date 2011-2015	16th	17th	0.17%	-1.5%	2.7%	11.8%	2.5%	N/A	N/A
<i>Target Date 2011-2015 Funds >></i>		<i>Category Average >></i>		0.51%	-1.6%	0.6%	10.7%	0.7%	3.6%	3.2%
TARGET RETIREMENT 2020 - VTENX	Target Date 2016-2020	24th	16th	0.17%	-2.1%	1.8%	12.2%	1.8%	N/A	N/A
<i>Target Date 2016-2020 Funds >></i>		<i>Category Average >></i>		0.56%	-2.0%	0.9%	11.4%	0.5%	4.7%	4.5%
TARGET RETIREMENT 2025 - VTXVX	Target Date 2021-2025	18th	18th	0.18%	-2.6%	1.0%	12.7%	1.2%	N/A	N/A
<i>Target Date 2021-2025 Funds >></i>		<i>Category Average >></i>		0.51%	-2.7%	-0.7%	12.0%	-0.2%	N/A	N/A
TARGET RETIREMENT 2030 - VTENX	Target Date 2026-2030	18th	17th	0.18%	-3.1%	0.2%	13.1%	0.5%	N/A	N/A
<i>Target Date 2026-2030 Funds >></i>		<i>Category Average >></i>		0.56%	-3.1%	-0.9%	12.2%	-0.8%	4.9%	4.5%
TARGET RETIREMENT 2035 - VTXVX	Target Date 2031-2035	23rd	22nd	0.19%	-3.6%	-0.7%	13.4%	0.1%	N/A	N/A
<i>Target Date 2031-2035 Funds >></i>		<i>Category Average >></i>		0.50%	-3.6%	-1.9%	12.5%	-1.0%	N/A	N/A
TARGET RETIREMENT 2040 - VTENX	Target Date 2036-2040	19th	13th	0.19%	-3.8%	-0.9%	11.3%	0.5%	N/A	N/A
<i>Target Date 2036-2040 Funds >></i>		<i>Category Average >></i>		0.57%	-3.9%	-2.0%	12.5%	-1.2%	4.9%	4.0%
TARGET RETIREMENT 2045 - VTXVX	Target Date 2041-2045	12th	23rd	0.19%	-3.8%	-0.8%	13.4%	0.1%	N/A	N/A
<i>Target Date 2041-2045 Funds >></i>		<i>Category Average >></i>		0.51%	-4.0%	-2.6%	12.7%	-1.3%	N/A	N/A
TARGET RETIREMENT 2050 - VTENX	Target Date 2046-2050	16th	12th	0.19%	-3.8%	-0.9%	13.4%	0.1%	N/A	N/A
<i>Target Date 2046-2050 Funds >></i>		<i>Category Average >></i>		0.51%	-4.1%	-2.2%	12.6%	-1.3%	4.8%	N/A
TARGET RETIREMENT 2055 - VTXVX	Target Date 2051+	16th	n/a	0.19%	-3.8%	-0.7%	N/A	N/A	N/A	N/A
<i>Target Date 2051+ Funds >></i>		<i>Category Average >></i>		0.51%	-4.4%	-2.9%	12.0%	-2.4%	N/A	N/A
LIFE STRATEGY CONSERVATIVE - VSCGX	Conservative Allocation	51st	65th	0.15%	-0.5%	2.5%	9.9%	2.7%	5.4%	5.6%
<i>Conservative Allocation Funds >></i>		<i>Category Average >></i>		0.91%	-0.6%	2.3%	9.8%	3.0%	5.1%	5.0%
LIFE STRATEGY GROWTH - VASGX	Aggressive Allocation	30th	51st	0.17%	-3.5%	-0.9%	12.8%	-0.3%	5.7%	5.1%
<i>Aggressive Allocation Funds >></i>		<i>Category Average >></i>		0.93%	-3.7%	-2.3%	12.0%	-0.3%	5.1%	5.1%