



The Lubitz Financial Group  
PERSONAL FINANCIAL PLANNING & INVESTMENT MANAGEMENT

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**INVESTMENT POLICY STATEMENT**  
**KESLOV FAMILY TRUST**

**February 27, 2009**

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**PREPARED BY:**

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## Investment Policy Discussion

### *What Is an Investment Policy Statement?*

An Investment Policy Statement (IPS) describes the investment philosophies and investment management procedures to be utilized for the funds as further described below, as well as the long-term goals for the Investor.

### *The Need for an IPS*

The principal reason for developing an investment policy and for putting it in writing is to enable you and us to protect your portfolio from ad hoc revisions of a sound long-term policy. Without an investment policy, in times of market turmoil, Investors are often inclined to make impromptu investment decisions that are inconsistent with prudent investment management principles. Your investment policy is intended to provide a well thought out framework from which sound investment decisions can be made.

### *Steps to Take to Establish an Investment Policy*

1. Assess your financial situation—identify your goals and needs.
2. Determine your tolerance for risk and your time horizon.
3. Set long term investment objectives.
4. Identify any restrictions on the portfolio and its assets.
5. Determine the asset classes and mix appropriate (the “Asset Allocation”) to maximize the likelihood of achieving the investment objectives at the lowest level of risk.
6. Determine the investment methodology to be used with regards to investment (manager) selection, rebalancing, buy-sell disciplines, portfolio reviews and reporting, etc.
7. Implement the decisions.

The Uniform Prudent Investor Act (“UPIA”) was approved for use in all states at the 1994 annual Conference of Commissioners on Uniform State Law and by the American Bar Association in 1995. The Act is applicable to all trusts (including irrevocable trusts, by-pass trusts, QTIPs, ILITs, CRTs, QPRTs, QDTs, and GRTs) and sets forth appropriate practices for the management of trust assets. Noncompliance with these rules can expose a trustee to significant personal liability.

***Key provisions of the UPIA include:***

- ❖ No investment is inherently prudent or imprudent, except in how its inclusion or exclusion impacts the portfolio as a whole.
- ❖ Trustees are expected to use all reasonably available strategies to improve the risk-reward relationship of the portfolio.
- ❖ Under most circumstances, the assets of the trust must be diversified.
- ❖ Trustees are obliged to spread portfolio investments across asset classes to enhance performance and reduce risk.
- ❖ The possible effect of inflation must be considered as part of the investment strategy. As a result, use of equities is encouraged to allow the possibility that the portfolio's growth will outpace inflation.
- ❖ Fiduciaries have a duty to either demonstrate investment skill in managing trust assets or to delegate investment management to another, more qualified party.

***This Investment Policy Statement:***

- ❖ Establishes the Investor's expectations, objectives and guidelines in the investment of the Portfolio's assets
- ❖ Creates the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Investor, including:
  - ❖ describing an appropriate risk posture for the investment of the Investor's Portfolio
  - ❖ specifying the target asset allocation policy
  - ❖ establishing investment guidelines regarding the selection of investment managers, permissible securities and diversification of assets
  - ❖ specifying the criteria for evaluating the performance of the Portfolio's assets
- ❖ Defines the responsibilities of the Investor and the Advisor
- ❖ Encourages effective communication between the Investment Manager(s) and the Investor

This IPS is not a contract. This investment policy has not been reviewed by any legal counsel and the Advisor and Investor use it at their own discretion. This IPS is intended to be a summary of an investment philosophy and the procedures that provide guidance for the Investor and the Advisor. The investment policies described in this IPS should be dynamic. These policies should reflect the Investor's current status and philosophy regarding the investment of the Portfolio. These policies will

be reviewed and revised periodically to ensure they adequately reflect any changes related to the Portfolio, to the Investor or the capital markets.

It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.

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## **Introduction**

One of the important purposes of this Investment Policy Statement (IPS) is to establish a clear understanding between the Investor ( “Trustees” identified below) and Big Time Advisors (“Advisor”) as to the investment goals and objectives and management policies applicable to the Investor’s investment portfolio (“Portfolio”).

### ***The Trustee(s):***

Robert Keslov,  
Jacqueline Keslov,

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## **Overview Commentary**

### ***Investor Information:***

Trust Name:

Keslov Family Trust u/a 5/15/1993  
5 Younger Court  
Boise, Idaho 86868  
USA

Trust Tax ID: 76-5678912

### ***Trustees:***

Robert Keslov  
5 Younger Court  
Boise, Idaho 86868  
USA  
(999) 111-2222  
(999) 333-4444  
Robert@Keslov.com  
Son

Jacqueline Keslov  
 5 Younger Court  
 Boise, Idaho 86868  
 USA  
 (999) 111-2222  
 (999) 555-6666  
 Jacqueline@Keslov.com  
 Sister of Lillian

***The Grantor(s) who originally funded the Trust:***

Lillian Keslov  
 Old Folks Home  
 Room 901  
 Sandy, Idaho 12345  
 USA  
 N/A  
 N/A  
 None

***The Beneficiary(ies) of the Trust:***

Lillian Keslov  
 Old Folks Home  
 Room 901  
 Sandy, Idaho 12345  
 USA  
 N/A  
 N/A  
 None  
 Current Beneficiary

Roert Keslov  
 5 Younger Court  
 Boise, Idaho 868686  
 USA  
 N/A  
 (999) 111-2222  
 Robert@Keslov.com  
 Remainderman Beneficiary

Willy Keslov  
 Not sure where Willy is living now  
 Willy@Keslov.com

***Date of Trust and Amendments***

Original: 5/15/1993  
 Amendment 1: 6/11/1950

### ***Authorized Decision Makers***

The authorized decision maker(s) for the assets under this IPS and their capacity are:

Any decision in which a majority of the Trustees approve

### ***Assets to be considered under this IPS***

The investments being managed under this IPS have a current approximate value of \$1,600,000.

### ***Account Information***

<i>Acct. Title</i>	<i>Acct. Number</i>	<i>Custodian</i>	<i>Current Mkt. Value</i>
Trust Account	5623-4333	Local National Bank	\$1,600,000
Total:			\$1,600,000

### ***Others who should receive a copy of this IPS:***

Robert Keslov  
Jacqueline Keslov  
Mary Esquire

### ***Investment Advisor :***

Big Time Advisors  
14 Washington Street  
Suite 900  
Boise, Idaho 86868  
USA  
(999) 444-6677  
mail@BigTimeAdvisors.com

### ***Tax Advisor:***

Bayardo Accountant  
Bayardo's Got Numbers Inc  
3 SW 7th Street  
Miami, Florida 33156  
USA  
(305) 777-9999  
Bayardo@Accountant.com

**Attorney:**

Mary Esquire  
Esquire and Sons  
901 North 9th Ave  
Suite 9  
Boise, Idaho 86868  
USA  
(999) 000-3333  
Mary@Esquire.com

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**Investor Circumstances**

Factors that could impact the manner in which this money will be managed include:

Due to the investors advanced age, she isn't interested in buying green bananas and the money should be managed accordingly.

The Investor describes their own knowledge of investments as limited.

The projected outlook for the Investors' financial situation:

- ◆ Modestly negative over the next one-year period.
- ◆ Modestly negative over the next five years.
- ◆ Very positive over the next ten years.

The Investor's expectation with regards to inflation is:

- ◆ It will be steady over the next one-year period.
- ◆ It will be steady over the next five years.
- ◆ It will be steady over the next ten years.

The Trust beneficiary is Lillian Keslov, 85, who is in fair health. Lillian currently resides in an assisted living facility in Wyoming, which represents her largest monthly expense (approximately \$3,500). In addition to the money in the Schwab account, the trust also owns another brokerage account worth approximately \$400,000. These funds may eventually be consolidated into the Schwab account. Trust does not require any distributions; principal or income may be withdrawn at the discretion of the trustee.

Upon Lillian's death, the trust will be distributed equally to her two sons, Robert and Willy. Robert has substantial assets already, but Willy is of more limited means. Preserving trust principal for eventual distribution to Willy is an important objective



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## Investment Objectives

The Investor's primary objective for this investment portfolio is to generate income.

The Investor has ranked, among the broad possible priorities, the following investment objectives:

Safety/Capital Preservation:	5
Capital Preservation (Adjusted for Inflation):	5
Growth:	2
Liquidity:	4
Current Income:	5

The long-term objective for the assets under this policy is to achieve after fees and expenses, a pre-tax average annual return of 4.5% over the expected holding period of this portfolio. The net return target is 1% above inflation.

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## Time Horizon

### *Withdrawals:*

Withdrawals will begin immediately.

The amount of the annual withdrawals will be \$42,000.

Capital values fluctuate, especially so over shorter periods of time. The Investor recognizes that the possibility of capital loss does exist. However, historical data suggests that the risk of principal loss can be minimized if the long-term investment mix employed under this Investment Policy Statement is maintained over a holding period of at least three to five years.

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## Tax Policy

The Investor's top marginal federal tax bracket is expected to be 38%.

The state tax bracket is expected to be 7.8%.

The following are tax issues that should be considered in the management of this portfolio:

- ◆ Some or all income is passed through to the beneficiaries
- ◆ Investor wishes that this portfolio be managed to minimize taxes.

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## **Risk Tolerance**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of investment risk assumed and the level of return that can be expected. In general, in order to attain higher returns one must accept higher risk (e.g. volatility of return).

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of the amount of risk the Investor can tolerate.

A comfort level with investment risk influences how aggressively or conservatively a portfolio can be invested. Like a scale, risk needs to be balanced with the need for returns to achieve the investment goals. The Investor desires long-term investment performance sufficient to meet the objectives. The Investor understands that to achieve such performance the portfolio may experience periods of decline. Investor further understands that in a severe market, the potential recovery period could be extensive.

Although Investor prefers to limit the portfolio's volatility, the Investor has also indicated a willingness to tolerate less than one year of decline in this investment portfolio in order to position it for improved growth possibilities.

The Investor can tolerate infrequent, very limited declines (less than 5%) through difficult phases in a stock market cycle.

Investor's Risk Tolerance Class: Conservative

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## **Asset Allocation**

Academic research offers considerable evidence that the asset allocation decision far outweighs security selection and market timing in its impact on portfolio variability and performance. After reviewing the long-term performance and risk characteristics of various asset classes and balancing the risk and rewards of market behavior, the following asset classes were selected to achieve the objectives of the Investor's Portfolio.

Asset Allocation Table

Category	Holdings	%	Chart
Fixed Income		99.00%	
	US Corporate Bonds	64.00%	
	Non-U.S. Bonds	25.00%	
	US High Yield Bonds	10.00%	
Cash		1.00%	
	Money Market Funds	1.00%	

### ***Historical Portfolio Returns And Volatility***

The Investor's willingness to accept risk and their expectation for investment growth have a direct bearing on the rate of return objective for this portfolio. Given the experience of similar portfolio structures in the past, 95% of the time the range of annual returns of this portfolio should approximately be from: -2.93% to 18.13%.

Bear in mind, these outcomes represent historical results using index data and estimated expenses. It should be recognized that the portfolio will invest in a variety of securities and that the actual weighting of these securities can and will vary. It is also important to note that future returns of the securities with the portfolio and the portfolio itself can be expected to vary from the historical returns referenced.

The portfolio's historical rate of return is not a guarantee of future investment returns nor an indication of expectation regarding future results. Future returns could differ significantly and capital loss is possible. This Investment Policy Statement shall not be construed as offering a guarantee.

### ***Updated Allocations***

Over time, it may be desirable to amend the basic allocation. When such changes are made, updates will be considered part of this Investment Policy Statement.

### ***Rebalancing Procedures***

From time to time, market conditions may cause the Portfolio's investment in various asset classes to vary from the approved allocation. To remain consistent with the asset allocation guidelines established by this Investment Policy Statement, the Advisor shall periodically review the portfolio and each asset class in which the Portfolio is invested.

This Portfolio will be rebalanced periodically as follows: When the actual allocation varies by more than 10% to the target allocation.

### ***Adjustment in the Target Allocation***

Modifications to the approved allocation may be needed from time to time for a variety of reasons. When such a change to the approved allocation needs to occur, it shall only be made with the concurrence of the Investor.

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## **Advisor Philosophy**

Advisor's investment management style may have an impact on performance. This portfolio will be managed using largely passive vehicles, including index funds, etc. It is the advisor's belief that these provide the best investment option based on diversification, low cost, tax efficiency and the investment community's inability to consistently outperform with active management strategies.

### ***The basic tenets under which this Policy will be managed include the following:***

1. Modern Portfolio Theory, as recognized by the 1990 Nobel Prize, will be the philosophical foundation for how the portfolio will be structured and how subsequent decisions will be made. The underlying concepts of Modern Portfolio Theory include:
  - ◆ Investors are risk averse. The only acceptable risk is that which is adequately compensated by potential portfolio returns
  - ◆ Markets are efficient. It is virtually impossible to anticipate the future direction of the market as a whole or of any individual security. It is, therefore, unlikely that any portfolio will succeed in consistently “beating the market”
  - ◆ The design of the portfolio as a whole is more important than the selection of any particular security within the portfolio. The appropriate allocation of capital among asset classes (stocks, bonds, cash, etc.) will have far more influence on long-term portfolio results than the selection of individual securities. Investing for the long term (preferably longer than ten years) becomes critical to investment success because it allows the long-term characteristics of the asset classes to surface
  - ◆ For a given risk level, an optimal combination of asset classes will maximize returns. Diversification helps reduce investment volatility. The proportional mix of asset classes determines the long-term risk and return characteristics of the portfolio as a whole

- ◆ Portfolio risk can be decreased by increasing diversification of the portfolio and by lowering the correlation of market behavior among the asset classes selected. (Correlation is the statistical term for the extent to which two asset classes move in tandem or opposition to one another)
- 2. Investing globally helps to minimize overall portfolio risk due to the imperfect correlation between economies of the world. Investing globally has also been shown historically to enhance portfolio returns, although there is no guarantee that it will do so in the future.
- 3. Equities offer the potential for higher long-term investment returns than cash or fixed income investments. Equities are also more volatile in their performance. Investors seeking higher rates of return must increase the proportion of equities in their portfolio, while at the same time accepting greater variation of results (including occasional declines in value).
- 4. Picking individual securities and timing the purchase or sale of investments in the attempt to “beat the market” are highly unlikely to increase long-term investment returns; they also can significantly increase portfolio operating costs. Such practices are, therefore, to be avoided.

Given these tenets, the underlying approach to managing this Policy shall be to optimize the risk-return relationship appropriate to Investor’s needs and goals. The Policy will be diversified globally employing a variety of asset classes. Mutual funds or managed portfolios will be employed to implement the portfolio and the chosen asset classes will be periodically re-balanced to maintain a more consistent risk/reward profile. In managing investment assets, every advisor has a unique style.

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## **Frequency of IPS Review**

The Investor recognizes that all investments go through cycles and, therefore, there will be periods of time in which the investment objectives are not met or when specific managers fail to meet their expected performance expectations. The Investor accepts the principle that, in the absence of specific circumstances requiring immediate action, patience and a longer-term perspective will be employed when evaluating investment performance.

The advisor and Investor will meet annually to review and update this IPS.

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## **Liquidity**

Investor's liquidity requirements are:

At least \$42,000 in cash/cash equivalents.

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## Diversification and Investment Constraints

*Investment of the Investor's funds shall be limited to securities in the following categories:*

**Assets Classes**

Money Market Funds  
U.S. Short Term Taxable Bonds  
U.S. Intermediate Term Taxable Bonds  
U.S. Short Term Tax Free Bonds  
U.S. Intermediate Term Tax Free Bonds  
High Yield Bonds  
Non-U.S. Bonds

**Securities Types**

Individual Stocks or Bonds  
Open-ended Mutual Funds

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## Selection/Retention Criteria for Investments

### *Investment Management Selection*

Investment managers (including mutual funds, separate account managers and limited partnership sponsors) shall be chosen using the following criteria:

- ◆ Past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance
- ◆ Costs relative to other funds with like objectives and investment styles
- ◆ The manager's adherence to investment style and size objectives
- ◆ Size of the proposed fund
- ◆ Length of time the fund/manager has been in existence and length of time it has been under the direction of the current manager(s) and whether or not there have been material changes in the manager's organization and personnel
- ◆ The historical volatility and downside risk of each proposed investment
- ◆ How well each proposed investment complements other assets in the portfolio
- ◆ The current economic environment
- ◆ The likelihood of future investment success, relative to other opportunities

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## **Investment Monitoring and Control Procedures**

### ***Reports***

- ◆ The investment custodian shall provide Investor with monthly statements for each account held by Investor and subject to this Investment Policy Statement. Such reports shall show values for each asset and all transactions affecting assets within the portfolio, including additions and withdrawals.
- ◆ Big Time Advisors shall provide Investor no less frequently than on a quarterly basis and within 30 days within the end of each such period the following management reports:
  - ◆ Portfolio performance results over the last quarter, year, 3 years and inception to date period
  - ◆ Performance results of comparative benchmarks for the last quarter, year, 3 years and 5 years
  - ◆ Performance results of each individual holding for the quarter
  - ◆ Performance shall be reported on a basis that is in compliance with AIMR standards
  - ◆ End of quarter status regarding asset allocation-current versus policy
  - ◆ Any recommendations for changes of the above

### ***Meetings and Communication between Investor and Advisor***

As a matter of course, Big Time Advisors shall keep Investor apprised of any material changes in the Advisor's outlook, recommended investment policy, and tactics. Any material event that affects the ownership of Big Time Advisors or the management of the Portfolio must be reported immediately to Investor.

In addition, Advisor shall meet with Investor approximately annually to review and explain the Portfolio's investment results and any related issues. Advisor shall also be available on a reasonable basis for telephone and email communication as needed.

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## **Duties and Responsibilities**

### ***The Advisor***

Big Time Advisors is expected to manage the Portfolio in a manner consistent with this Investment Policy Statement and in accordance with State and Federal law and the Uniform Prudent Investor Act.

Big Time Advisors is a Registered Investment Advisor and shall act as the investment advisor and fiduciary to the Investor until the Investor decides otherwise.

Advisor shall be responsible for:

1. Designing and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
2. Recommending an appropriate custodian to safeguard Investor's assets.
3. Advising the Investor about the selection of and the allocation of asset categories.
4. Identifying specific assets and investment managers within each asset category.
5. Ensuring that the custodian provides Investor with a current prospectus, where applicable, for each investment proposed for the portfolio.
6. Monitoring the performance of all selected assets.
7. Recommending changes to this investment policy statement.
8. Periodically reviewing the suitability of the investments for the Investor being available to meet with the Investor at least twice each year, and being available at such other times within reason at the Investors request.
9. Preparing and presenting appropriate reports.

### ***Discretion and Title***

1. The Lubitz Financial Group will not take title to any assets.
2. Investor does grant Advisor discretionary control for purchases and sales of Investor's securities. Advisor shall have no authority to withdraw funds from Investor's accounts, except to cover payment of previously agreed to fees or at Investor's specific direction.
3. Advisor may not change Investor's investment policy, including the targeted asset allocation, without Investor's prior approval.

### ***The Investor***

Investor shall be responsible for:

1. The oversight of the Portfolio.



2. Defining the investment objectives and policies of the Portfolio.
3. Directing Advisor to make changes in investment policy and to oversee and to approve or disapprove Advisor's recommendations with regards to policy, guidelines, and objectives on a timely basis.
4. Investor shall provide Advisor with all relevant information on Investor's financial conditions and risk tolerances and shall notify Advisor promptly of any changes to this information.
5. Investor shall read and understand the information contained in the prospectus and each investment in the Portfolio.
6. Investor is responsible for exercising all rights, including voting rights, as are acquired through the purchase of securities.

### ***Proxy Voting***

The Investor is responsible for and empowered to exercise all rights, including proxy voting rights.

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## Adoption

Adopted by the below signed:

Date: \_\_\_\_\_

Investor: \_\_\_\_\_

Investor: \_\_\_\_\_

Investor: \_\_\_\_\_

Big Time Advisors

Advisor: \_\_\_\_\_

Date: \_\_\_\_\_

**Remember, different types of investments involve varying degrees of risk, and past performance may not be indicative of future results. Therefore, it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Advisor) will be profitable. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings will correspond directly to any of the above indices. Please remember to contact Advisor if there are any changes in your financial situation or investment objectives or if you wish to impose, add or to modify any reasonable restrictions to our investment management services. A copy of our current written disclosure statement discussing our advisory services and fees continues to remain available for your review upon request.**

**INVESTMENT POLICY STATEMENT**  
**KESLOV FAMILY TRUST**  
 February 27, 2009

<b><i>Trust Name</i></b>	Keslov Family Trust u/a 5/15/1993 76-5678912		
<b><i>Trust Date</i></b>	5/15/1993 6/11/1950		
<b><i>Trustees</i></b>	Robert Keslov Jacqueline Keslov		
<b><i>Beneficiaries</i></b>	Lillian Keslov	Current Beneficiary	
	Roert Keslov	Remainderman Beneficiary	
<b><i>Grantor</i></b>	Lillian Keslov		
<b><i>Account Information</i></b>	<i>Acct. Title</i>	<i>Acct. Number</i>	<i>Current Mkt. Value</i>
	Trust Account	5623-4333	\$1,600,000
	Total:		\$1,600,000
<b><i>Primary Objective</i></b>	to generate income.		
<b><i>Ranked Objectives</i></b>	Capital Preservation:	5	
	Current Income:	5	
	Growth:	2	
	Liquidity:	4	
	Safety/Capital Preservation:	5	
<b><i>Target Rate of Return</i></b>	4.5%		
<b><i>Net Rate of Return &gt; CPI</i></b>	1%		
<b><i>Federal Tax Rate</i></b>	38%		
<b><i>State Tax Rate</i></b>	7.8%		
<b><i>Risk Tolerance</i></b>	Conservative		
<b><i>Asset Allocation</i></b>			

Asset Allocation Table

Category	Holdings	%	Chart
Fixed Income		99.00%	
	US Corporate Bonds	64.00%	
	Non-U.S. Bonds	25.00%	
	US High Yield Bonds	10.00%	
Cash		1.00%	
	Money Market Funds	1.00%	

**Return Range (95% Probability)** -2.93% to 18.13%

**Cash Limits** At least \$42,000 in cash/cash equivalents.

**Restrictions**

Maximum Average Bond Maturity	10 Years
Maximum Individual Bond Maturity:	15 Years
Maximum Fund Portion:	20 %
Maximum Security Portion:	5 %

**IPS Review Frequency** year(s)

**Meeting Frequency** annually