

L.M. KOHN & COMPANY
BROKERAGE AND INVESTMENT MANAGEMENT

Risk Profile Questionnaire

Different investors have different risk profiles. Much of the difference stems from time horizon. That is, an investor with a short investment time horizon is less able to withstand losses. The remainder of the difference is attributable to the investor's appetite for risk. Volatility can be unsettling for many investors. However, there is a definite relationship between risk and return. Investors need to recognize this risk/return trade-off. The following risk profile questionnaire has been designed to help measure an investor's ability (time horizon) and willingness (risk tolerance) to accept uncertainties in their investments' performance in their advisory accounts. The total score suggests which of the five Risk Profiles may be appropriate for the advisory accounts listed below. On this questionnaire, "I," "you," or "your" may represent individuals, groups of individuals, or institutions.

Client Name (type or print) _____ Date _____

Please be aware that advisory assets are monitored separately from assets held in any brokerage account as required by the Investment Advisers Act of 1940.

This questionnaire applies to the following advisory account(s) which will be viewed as one portfolio.

The advisory account(s) referenced on this risk profile represent the following percent of my total investable assets
(Check one): _____ < 20% _____ 21% to 50% _____ 51% to 75% _____ 76% to 100%

Instructions for Completion of Risk Profile Questionnaire

- Please answer all of the following questions selecting only one response for each question
- Determine your Time Horizon Score
- Determine your Risk Tolerance Score
- Determine your Preliminary Risk Profile based on your Time Horizon and Risk Tolerance Score using the scoring grid
- Complete Steps 1 - 3 of the Risk Profile Evaluation

TIME HORIZON

1. When do you expect to begin withdrawing significant money from the advisory account(s) listed above?

- ____ a. Less than 1 year (0)
- ____ b. 1 to 2 years (1)
- ____ c. 3 to 4 years (3)
- ____ d. 5 to 7 years (7)
- ____ e. 8 to 10 years (9)
- ____ f. 11 years or more (11)

Score _____

2. Once you begin withdrawing money from the advisory accounts listed above, how long do you expect the portfolio to last?

- ____ a. I plan to take a lump sum distribution (0)
- ____ b. 1 to 2 years (2)
- ____ c. 3 to 4 years (4)
- ____ d. 5 to 8 years (5)
- ____ e. 9 to 10 years (6)
- ____ f. 11 years or more (8)

Score _____

L.M. KOHN & COMPANY

BROKERAGE AND INVESTMENT MANAGEMENT

RISK TOLERANCE

3. Inflation, the rise in prices over time, can erode investment return. Long-term investors should be aware that, if portfolio returns are less than the inflation rate, the ability to purchase goods and services in the future might actually decline. In order to maintain buying power, investment returns must keep pace with inflation.

Generally, higher returns can only be achieved by accepting greater volatility.

Considering the advisory account(s) listed above, which of the following portfolios is most consistent with your investment philosophy?

- a. **Portfolio 1** will most likely exceed long-term inflation by a significant margin and has a high degree of volatility. (12)
- b. **Portfolio 2** will most likely exceed long-term inflation by a moderate margin and has a moderate to high degree of volatility. (8)
- c. **Portfolio 3** will most likely exceed long-term inflation by a small margin and has a small to moderate degree of volatility. (4)
- d. **Portfolio 4** will most likely match inflation and has low degree of risk volatility. (0)

Score _____

4. Portfolios with the highest average returns also tend to have the highest chance of short-term losses. The table below provides the average dollar return of five hypothetical investments of \$100,000 and the possibility of lower value (ending value of less than \$100,000) or higher value (ending value of more than \$100,000) over a one-year holding period. Considering the advisory account(s) listed above, please choose the portfolio with which you are most comfortable.

Possible Average Value at the End of One Year	Probability of Higher Value at the End of One Year		Probability of Lower Value at the End of One Year
a. Portfolio A	\$105,400	82%	18% (0)
b. Portfolio B	\$106,500	78%	22% (3)
c. Portfolio C	\$107,600	74%	26% (6)
d. Portfolio D	\$108,700	71%	29% (9)
e. Portfolio E	\$109,400	69%	31% (12)

Score _____

5. Investing involves a trade-off between risk and return. Historically, investors who have received high long-term average returns have experienced greater fluctuations in the value of their portfolio and more frequent short-term losses than investors in more conservative investments have. Considering the above, which statement best describes your investment goals for the advisory account(s) listed earlier?

- a. **Protect the value of this portfolio.** In order to minimize the chance for loss, I am willing to accept the lower long-term returns provided by conservative investments. (0)
- b. **Keep risk to a minimum** while trying to achieve slightly higher returns than the returns provided by investments that are more conservative. (4)
- c. **Balance** moderate levels of risk with moderate levels of returns. (8)
- d. **Maximize long-term investment returns.** I am willing to accept large, sometimes dramatic short-term fluctuations in the value of this portfolio. (12)

Score _____

L.M. KOHN & COMPANY

BROKERAGE AND INVESTMENT MANAGEMENT

6. Historically, markets have experienced downturns, both short-term and prolonged, followed by market recoveries. Suppose you owned a well-diversified portfolio that fell by 20% (i.e. \$1,000 initial investment would now be worth \$800) over a short period, consistent with the overall market. Assuming you still have 10 years until you begin withdrawals from the advisory account(s) listed earlier, how would you react?

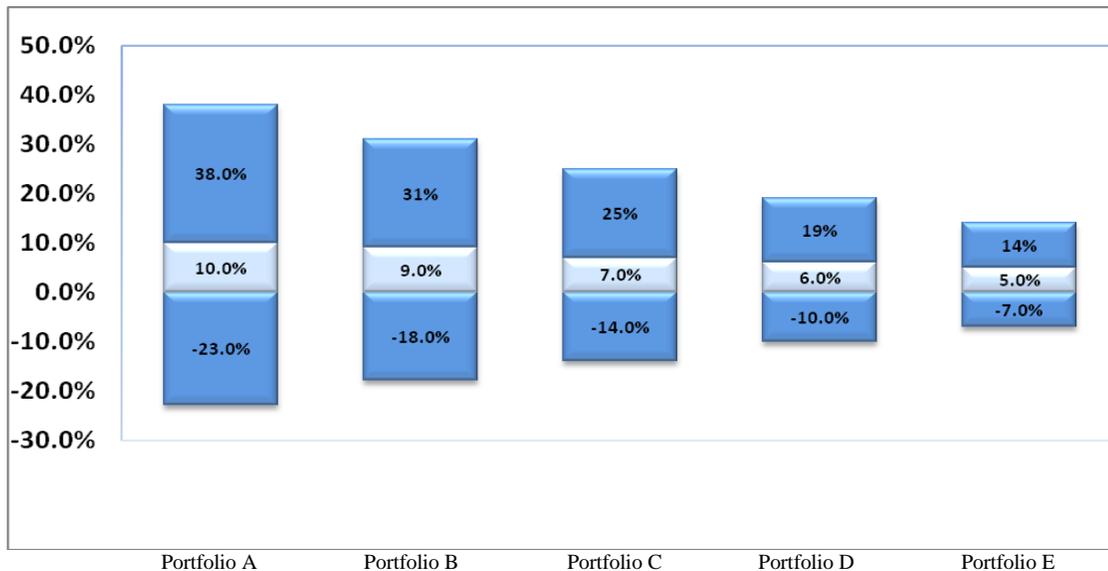
- a. I would **not** change this portfolio or I would invest more in this portfolio. (12)
- b. I would **wait at least one year** before changing to a more conservative portfolio. (8)
- c. I would **wait at least three months** before changing to a more conservative portfolio. (4)
- d. I would **immediately** change to a more conservative portfolio. (0)

Score _____

7. The following graph shows the hypothetical results of five sample portfolios over a one-year holding period. Potential gains, expected potential, and potential losses are presented. Note the portfolio with the highest potential gain also has the largest potential loss.

Considering the advisory account(s) listed earlier, which of these portfolios would you prefer to hold?

- a. Portfolio A (12)
- b. Portfolio B (9)
- c. Portfolio C (6)
- d. Portfolio D (3)
- e. Portfolio E (0)



Score _____

Total Time Horizon Score (Questions 1-2) _____

Total Risk Tolerance Score (Questions 3-7) _____

L.M. KOHN & COMPANY

BROKERAGE AND INVESTMENT MANAGEMENT

Scoring Grid for Preliminary Risk Profile Selection

To use the scoring grid, find the total time horizon score on the horizontal axis and the total risk tolerance score on the vertical axis. The intersection of these two points is the preliminary risk profile selection. Please mark this selection in Step 1.

Risk Tolerance Score	Time Horizon Score				
	0-2*	3-5	6-7	8-9	10+
0-8	Profile 1	Profile 1	Profile 1	Profile 1	Profile 1
9-23	Profile 1	Profile 2	Profile 2	Profile 2	Profile 2
24-38	Profile 1	Profile 2	Profile 3	Profile 3	Profile 3
39-53	Profile 1	Profile 2	Profile 3	Profile 4	Profile 4
54-60	Profile 1	Profile 2	Profile 3	Profile 4	Profile 5

© 2010 Ibbotson Associates, a wholly owned subsidiary of Morningstar, Inc. All rights reserved. Ibbotson has been engaged to develop a proprietary Risk Profile Questionnaire for the sole purpose of providing education and guidance. Therefore, in no way should the above be construed as investment advice offered by Ibbotson Associates. Please consult with your own financial professional when making investment decisions. The above information is not warranted to be accurate, complete or timely. Ibbotson Associates is not responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.*
Note: Even the most conservative portfolio may not be appropriate for investors with a time horizon of zero. Please discuss your investment time frame with your Financial Advisor.

Risk Profile Designation For Advisory Accounts

Steps 1-3 MUST BE COMPLETED to determine your risk profile for the advisory account (s) listed.

Step 1. Preliminary Risk Profile Selection from Scoring Grid

Determining your risk profile is a process that begins with the guidance provided by this risk profile questionnaire. The Scoring Grid serves as a preliminary indication of your risk profile. Using the Total Time Horizon Score, the Total Risk Tolerance Score, and the Scoring Grid from above, **circle** your preliminary risk profile selection below. Note: If an investor has a time horizon score of zero, even the most conservative model may not be an appropriate investment option. The investor should speak to his or her Financial Advisor before selecting a Risk Profile.

Preliminary Risk Profile Selection	Profile 1	Profile 2	Profile 3	Profile 4	Profile 5
Equity Securities Maximum	40%	60%	80%	100%	100%

Step 2. Profile Customization for Advisory Account(s) Listed

LM Kohn & Company allows you the option of customizing your risk profile to more appropriately reflect your investment objectives for the assets covered under this risk profile. Please explain the reason(s) for your profile customization (if different than the preliminary profile above) and proceed to Step 3:

- Not applicable. My Final Risk Profile Selection is the same as the Preliminary Risk Profile in step 1.
- This Risk Profile applies to only a portion of my investable assets as indicated by the percentage below:
 ___ < 20% ___ 21% to 50% ___ 51% to 75% ___ 76% to 100%

