

Financial Management Group, Inc.

Risk Tolerance Questionnaire for: _____

Upon completion, please return this questionnaire to the Financial Management Group, Inc. for evaluation.

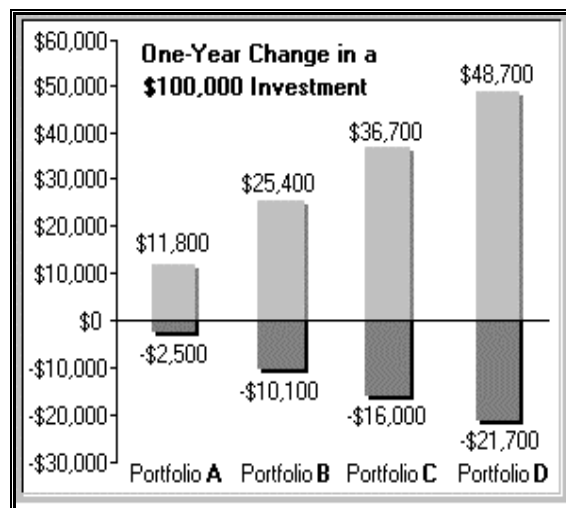
This risk tolerance questionnaire is designed to assist in the recommendation of an optimal portfolio based on your investment time horizon, risk tolerance, investment objectives and liquidity needs. The information you enter into this worksheet and your reactions to certain investment scenarios provided in the questionnaire are instrumental in determining a recommended portfolio.

Below are several types of questions used to measure your reactions to various investment scenarios. These include risk/return trade-off, upside potential and downside risk, volatility aversion and impact of inflation.

Check (✓) the appropriate response.

1. This graph shows the potential range of gains or losses of a \$100,000 investment in each of four hypothetical portfolios at the end of a 1-year period. The number above each bar shows the best potential gain for that portfolio, while the number below each bar shows the worst potential loss. Given that this is the only information that you have on these four hypothetical portfolios, which one would you choose to invest in?

- A. ___ Portfolio A
- B. ___ Portfolio B
- C. ___ Portfolio C
- D. ___ Portfolio D



2. Inflation (rising prices for goods and services) can have a significant effect on your investments by decreasing their potential purchasing power over time. Aggressive investments have historically outpaced inflation over the long run, but have had more instances of short-term losses than more conservative investments. How do you feel about inflation and its impact on your investments?

- A. ___ I am satisfied with my investments keeping pace with inflation. Limiting the potential for short-term loss is my main goal, and I am willing to sacrifice the potential for higher returns.
- B. ___ I would like my investments to outpace inflation. I am willing to assume some potential for short-term loss in order to achieve that goal.
- C. ___ I prefer that my investments significantly outperform inflation. I am willing to assume a greater potential for short-term loss in order to achieve that goal.

3. Suppose that a substantial portion of your investment portfolio is invested in stocks. If the stock market were to experience a prolonged down market, losing 45 percent of its value over an 18 month period, what would you do (assuming your stocks behaved in a similar fashion)?

- A. ___ Sell all the stocks in your portfolio. You are afraid that the stock market is in a downturn and you cannot afford the decrease in value.
- B. ___ Sell half of the stocks in your portfolio. You think that the market may rebound, but you are not willing to leave all of your investment exposed to further loss.
- C. ___ Hold the stocks in your portfolio. You understand that your investment may be subject to short-term price swings and are comfortable 'weathering the storm.'
- D. ___ Buy more stocks for your portfolio to take advantage of their low price. You are comfortable with market fluctuations and assume that the stocks will regain their previous value or increase in value.

4. Once again, assume you have a substantial portion of your investment portfolio in stocks. If the stock market were to gradually decline at an average of 2 percent per month, eventually losing 22% of its value over a year, which of the following would you do?

- A. ___ Invest more now because stocks are selling for approximately 20% less than they were 12 months ago. You believe that the stocks will regain their value or possibly appreciate even higher over the long-term.
- B. ___ Sell the stocks in your portfolio and realize the 22% loss. You wish to avoid the risk of further loss.
- C. ___ Sell half of the stocks your portfolio. You are not willing to leave all of your investment at risk for further loss.
- D. ___ Do nothing. You are comfortable waiting for the stocks to regain their previous value or to increase in value.

5. Aggressive investments have historically provided higher returns while exhibiting greater short-term price fluctuations and potential for loss. How do you feel about fluctuations in the value of your portfolio?

- A. ___ I want to minimize the possibility of loss in the value of my portfolio. I understand that I am sacrificing higher long-term returns by holding investments that reduce the potential for short-term loss and price fluctuation.
- B. ___ I can tolerate moderate losses in order to achieve potentially favorable returns.
- C. ___ I can tolerate the risk of large losses in my portfolio in order to increase the potential of achieving high returns.

I have reviewed all of the questions and answers provided in the risk tolerance questionnaire. I realize that the information requested in this worksheet as well as my answers to the questionnaire will assist in the characterization of my risk tolerance.

Client Signature: _____

Date: _____