

1. **Name:** James Lunney
2. **Title:** **CERTIFIED FINANCIAL PLANNER**
Name of firm or DBA The Wealth Strategies Group; (Securities offered through Linsco/Private Ledger)
3. **Office Address:** 7761 Shaffer Parkway, Suite 210
Denver, CO 80127
4. **E-mail Address:** Jlunney@wealthstratgroup.com
Website address: www.wealthstratgroup.com
5. **Office Phone:** 303-933-2107
6. **Date of Birth:** June 21, 1957

8. **Please list—in order of importance—no more than three specialty areas you yourself practice within financial planning (examples: retirement planning, trust planning, planning for women, etc.)**

The Wealth Planning Strategy™ is our unique approach to investment planning, Estate and Structure Planning

9. **In what year and in what capacity did you first become a professional wealth advisor?**

1982 as a Registered Representative

10. **Please list any professional designations and leadership positions you hold within the financial planning and/or investment management industry, as well as any books or papers you have published (please exclude magazine or newspaper articles in which you are cited as a source).**

CERTIFIED FINANCIAL PLANNER (CFP)...Certified Estate Planner (CEP)...Certified Investment Management Advisor (CIMA)...Registered Investment Advisor (RIA)...Master Certified Demographer...Membership in the National Institute of Certified Estate Planners (NICEP). Lessons Professional Publishing has the contract for my new book to be released later this year, currently titled “The Wealth Factor”. Published articles are “Don’t Bail Out of the Stock Market Yet” - Physician’s Money Digest, January 2006, “See the Future Through Demographic Glasses” – Physician’s Money Digest, March 2006 and “Avoid the Hullabaloo of Noise Investing” – Physician’s Money Digest, April 2006. Recent white papers include: “What Does Financial Responsibility Look Like?” - December 2005, “2005: A Rewarding Financial Experience!” – November 9, 2004, “The Wicked Witch is Dead!” – October 28, 2002, “A Look Back Could Tell A Lot About the Future” – April 25, 2002.

- 11. Have you or your firm (if it consists of 10 or fewer offices) ever been disciplined or reprimanded in any way by any regulatory or industry agency? If the answer is yes, please provide details, including the agency, its city and state, nature of discipline, date of discipline, and discipline imposed.**

NO

- 12. Have you or your firm (if it consists of 10 or fewer offices) ever been the subject of a complaint to, or investigation by, any regulatory or industry agency? If the answer is yes, please provide details, including the agency, its city and state, nature of complaint, date and outcome.**

NO

- 13. Please describe your and your firm's primary services (e.g. investment advisor, comprehensive financial planner, tax planner, etc.).**

Comprehensive Financial Planning, Investment Advisory Services and Estate Structure and Planning

- 14. Please check the one description that best applies to your current practice:**

Fee Only

- 15. What percentage of the clients you personally had on December 31, 2001, did you have on December 31, 2005?**

90%

- 16. Are you personally taking on new clients at this time?**

Yes

- 17. If you manage client assets, what is the total dollar amount of assets under management at your firm?**

\$150,000,000

- 18. What is the size of your median account under management?**

\$1,000,000

Under discretionary management?

80%

19. What is the minimum amount in investable assets someone must have before you will personally take them on as a client?

\$1,000,000

20. What is the current net worth of your own median client, excluding real estate?

\$2,500,000

21. What is the current net worth of your own median client, including real estate?

\$4,000,000

22. What is the largest discretionary asset management account of any of the clients for whom you are the primary advisor?

\$4,000,000

23. What is the largest net worth, including real estate, of any of the clients for whom you are the primary advisor?

\$50,000,000

24. Have you or your firm filed for bankruptcy within the past 10 years? If the answer is yes, please provide us with a full explanation, including any details or mitigating circumstances.

No

25. Have you or your firm (if it consists of 10 or fewer offices) ever been the defendant in a lawsuit or arbitration proceeding arising out of the business?

No

26. How did the performance of a recommended portfolio compare to the larger market in 2005? (Please provide specifics, including tracking error versus appropriate benchmarks for equity and fixed income allocations wherever possible.) How do you account for your clients' outperformance or underperformance?

In 2005 our average U.S. equity based clients returned +8.74% net of fees versus the DJIA +1.72% and the S&P 500 +4.91%. For the three-year period of 1/1/03 through 12/31/05 our average was +63.99% or +17.94% net of fees versus the DJIA +11.18% and the S&P 500 +13.38%. This premium in return was related to our strategy of emphasizing Large and Mid Cap Growth companies and de-emphasizing smaller companies and value oriented investments. The goal is to provide a low risk (Beta) and low volatility (Standard Deviation) portfolio that is lower cost and low turnover.

Insight into your Practice

27. If Worth were to recommend your services to one of our readers, how would we distinguish you from other financial planners or advisors?

What makes us unique is that we take the time to look at how the asset pieces of the puzzle flow based on inevitable life changing events. We examine clients' life events such as costs associated with purchasing a larger home, college education for the children, second or third home purchases, retirement, etc. and map them out many years in the future. We then overlay our economic and investment outlook for the same time frame over the client's life. This enables the client to see what their life needs will be and when. This approach estimates what the economy and the investment markets could be doing over this same time period. To make these estimates of future economic trends we look at demographic data and probabilistic reoccurrence of prior historical cycles, which is combined with a review of the fundamentals of investment alternatives and technical analysis before an asset allocation is recommended to the client. Before investments are implemented this detail is reviewed for suitability with the client's constraints for time, risk and volatility.

28. What should a client expect from his or her relationship with you, and how should they judge your performance?

In addition to independent, unbiased, no strings attached financial advice each client should expect to receive direction, capability and confidence from our custom designed thinking process. Our process incorporates tools, techniques and systems, which make up The Wealth Planning Strategy™ created by Jim Lunney. This unique process goes beyond traditional financial planning as it continually monitors progress toward the client's future based goals. Our client can measure our performance based on his or her progress toward these self identified family goals then to the performance of an index of comparison, even though this is likely not equal to their risk tolerance or ability to withstand volatility. This approach helps to avoid emotional based decisions and instead encourages focus on the goals based progress that were outlined together.

29. What should clients not expect from their relationship with you?

We sit down with the client to prepare their Wealth Planning Strategy. Once they have decided to implement the plan, they have entrusted our team to be the prudent stewards of their assets. Thus, they should not expect to micro manage the plan or "trade" securities in the account. If they choose to do this the client must understand it is away from our work together and not encouraged. They should not expect discussion, research or ideas in the short term trading area.

Implications of the Current Market Environment

30. What concerns have your clients expressed recently? How are you addressing them?

- A) Should I worry about future terrorist attacks? We explain to our clients that since no one can predict a random event with any level of accuracy we don't factor this into our decision making and asset allocation process. However, we recognize the concern this can cause some of our clients. Thus, we make investment alternatives available that have downside market protection using a "Put" strategy. This strategy allows upside market participation with less return potential due to the cost of adding the protection strategy. Nonetheless, this choice offers those clients with this concern a level of principal protection, on the downside, if this type of event were to occur.
- B) I am concerned about being able to retire. How much do I need in my portfolio to fully retire and when will that be? Regardless of net worth or income level it seems people want to know what they will have to generate for income and how long it may or may not last...or will they outlive the income stream and corpus? We incorporate tools, techniques and strategies that give our clients tremendous confidence. We do this by calculating the estimated future value of current assets, the estimated future value of all new asset additions to the account and then adjust for any liquidations as well as for non-traditional and illiquid holdings, i.e. family business, etc. We then estimate the future income stream based on these calculations. It is our belief that when a client is educated on economic cycles they have a better idea of what to expect in the future economy overall. This detailed calculation of future value and future income combined with knowledge of how cycles have worked in the past gives them the detail they need to be confident about their future. An added benefit is the knowledge of where, and in which types of businesses, to be or not be invested.

31. Please describe the best recommendation you have made in the past 12 months. Your answer should describe a specific investment strategy, an estate planning move or other specific personal finance recommendation.

Our best recommendation is to look at the structure of your assets and how they are affected by tax, titling and liability in the event of death, disability, divorce or litigation. You can do a great deal of strategizing over several years to build net worth with all the available investment choices. However, if the structure is not correctly in place to direct the flow of assets upon one of these life changing events the investment advantage dissipates! It is because of this potential issue that asset structure is a primary emphasis in this practice.

32. What is your view on the course of interest rates, corporate credit and the equities markets in the next 12 months? Do you have a view further out?

Even with extraordinary productivity in the economy it is likely interest rates, as measured by the 10-year treasury, will trend toward the 6 ½% area. However, we expect the 10-year to stay at or below 6 ½% in this part of the cycle. Based on some of our demographic work we see more slowing in the economy, based on less consumer spending, after 2010. It is at this point that we could see interest rates start to drop from the economic cycle peak we envision at that time. As we expect the current economy to continue its strong record

earnings growth we also expect corporate credit quality to increase and equity valuations to trend up. Thus, for fixed income investments we prefer short versus long maturities, Corporate bonds versus Government. Lower credit quality (junk bonds) are not as interesting here as spreads have already narrowed. We like Large Cap Growth and Mid Cap Growth equities versus Small Cap at this time. We also prefer growth over value and expect more return going forward in the U.S. versus many of the international equity alternatives. With our model we look beyond 12 months in the future. In fact, we look at many years in the future. We do this by looking at what drives the economy. According to the U.S. Department of Labor and Statistics' Consumer Expenditure Survey (CES) we are able to determine what age people are when they hit their peak in spending. As the consumer is approximately 70% of the U.S. economy, not only is this important to know, but it gives you a general idea of what to expect overall economically and approximately when it could occur. The different cycles in the economy, fundamentals of companies in general, technical analysis on equities are ultimately matched up with the client's age, stage and personality to customize an asset allocation that matches their unique needs.

33. Based on your outlook for these asset classes, what recommendations are you personally making right now?

We are currently recommending Large Cap and Mid Cap Growth in our equity portion of the asset allocation. We continue to favor growth over value with less emphasis currently being placed on Small Cap. We like international in general but feel much of the juice is out of the orange. Thus, we are selective.

34. What alternative investments—real estate, hedge funds, private equity and the like—are you recommending and why?

Based on our interpretation of the economic cycle we are in and where we believe it is going we have liquidated all real estate. Based on the fees, returns, investment life cycle and liquidity issues we have chosen to not use hedge funds or private equity at this time.

35. How do you educate your clients about the liquidity risk inherent in alternative investment? Is liquidity risk a significant concern when they are deciding on an investment?

We have used alternative investments in the past and liquidity risk is a significant concern. We are very careful to evaluate the clients' needs into the future as well as any potential assessments that could arise from the investment. Most of all we use our economic outlook indicators to realistically estimate when the investment could conclude under various potential outcomes. It is based on our current risk reward analysis and economic cycle outlook that we are not using these vehicles in our allocations at this time.