



**SK WEALTH MANAGEMENT, L.L.C.**  
PERSONAL FINANCIAL PLANNING • INVESTMENT MANAGEMENT

## ORGANIZATION OVERVIEW

SK Wealth Management, L.L.C. (SK Wealth), located at 55 Dorrance Street, Providence, Rhode Island, is registered with the Securities and Exchange Commission as an investment advisor. SK Wealth was organized in the State of Rhode Island in July 1998.

*Jason E. Archambault* is a member/owner of SK Wealth. He was born in 1966 and has worked at SK Wealth since its inception in 1998. Mr. Archambault is a Certified Public Accountant (Rhode Island certificate #2337), a Personal Financial Specialist (American Institute of Certified Public Accountants), and a Certified Financial Planner™ certificant (certificate #65606). He has over 20 years of experience in financial planning, accounting, and tax experience and is in charge of personal financial planning at SK Wealth. He holds a Bachelor of Science in Business Administration from Bryant College. Mr. Archambault is a member of the following associations:

- ◆ American Institute of Certified Public Accountants
- ◆ Rhode Island Society of Certified Public Accountants
- ◆ Financial Planning Association
- ◆ Rhode Island Financial Planning Association

*Michael A. DeCataldo* is the managing member of SK Wealth. With over 30 years of tax, accounting and financial planning experience, Mr. DeCataldo is a Certified Public Accountant (Rhode Island Certificate # 1213), a Personal Financial Specialist (American Institute of Certified Public Accountants), and a Certified Financial Planner™ certificant. He holds a Masters degree in Taxation from Bryant University, *summa cum laude*. He often advises high net-worth individuals and closely held corporations in the areas of retirement, estate, gift, financial and business-succession planning. Mr. DeCataldo was born in 1954 and has been a member of SK Wealth since its inception in 1998. He is also the managing partner of the accounting firm of Sansiveri, Kimball & Company, LLP and spends over fifty percent of his time on accounting firm business.

Mr. DeCataldo is a member of the following professional societies:

- ◆ American Institute of Certified Public Accountants
- ◆ Rhode Island Society of Certified Public Accountants
- ◆ Financial Planning Association
- ◆ Rhode Island Financial Planning Association

*Cheryl A. Dugas Ethier*, born in 1958, is a financial planner at SK Wealth. She is a Certified Public Accountant (Rhode Island certificate #3050) and a Personal Financial Specialist. Ms. Dugas Ethier holds a Bachelor of Science in Business Administration from Bryant University and a Masters of Professional Accountancy with a concentration in financial planning from Rhode Island College. Ms. Dugas Ethier began her career at SK Wealth in 2006. Previously she worked at Blackstone Health and Memorial Hospital as the Finance Director/Financial Analyst. She is a member of the Town of Lincoln, Rhode Island, Budget Board and is also a member of the following associations:

- ◆ American Institute of Certified Public Accountants
- ◆ Rhode Island Society of Certified Public Accountants
- ◆ Financial Planning Association
- ◆ Rhode Island Financial Planning Association

*Matthew M. Neyland* is the Director of Investments at SK Wealth. He was born in 1961 and began his career at SK Wealth in June 2008. Prior to, Mr. Neyland worked as Senior Vice President – Capital Markets at BB&T Capital Markets, Director – Capital Markets at Barclays Capital, and Vice President – Capital Markets at Merrill Lynch. Mr. Neyland is a Chartered Financial Analyst (CFA). He holds a Masters degree in Business Administration from Northeastern University and a Bachelor of Science degree in Business Management from Ithaca College. Mr. Neyland is a member of the following professional associations:

- ◆ CFA Institute
- ◆ Boston Security Analysts Society

*Kerry A. O'Shea* is the administrative assistant for the SK Wealth team. She began her career in the financial services industry in 2001 and has a strong background working with financial advisors, as well as CPA's, providing client servicing and administrative support. Ms. O'Shea was born in 1962 and is a graduate of the advanced secretarial program at Katharine Gibbs School in Providence. She also attended the Business Administration program at Bryant University. Ms. O'Shea holds her FINRA Series 6 and 63 securities licenses and has also completed the College for Financial Planning's Registered Paraplanner<sup>SM</sup> program. Prior to joining SK Wealth in March of 2008, she worked at Loring Advisory Group in Greenville, Rhode Island.

*Katherine S. Sullivan* is a Senior Paraplanner having completed the College for Financial Planning's Registered Paraplanner<sup>SM</sup> program. A graduate of Manhattanville College, she has an extensive background in personal finance and credit counseling having counseled clients in all aspects of budgeting techniques and debt management. Ms. Sullivan began her career at SK Wealth in September of 2003 and was born in 1942. Prior to her career with SK Wealth, she worked at American Credit Counseling Service in East Providence, Rhode Island. Kathy is a member of the following associations:

- ◆ Financial Planning Association
- ◆ Rhode Island Financial Planning Association

SK Wealth requires those employees who determine or give investment advice to be college graduates. In addition, our financial planners generally are required to be Certified Financial

Planner™ certificants (or working toward that designation) and Certified Public Accountants. SK Wealth’s investment personnel are required to have the CFA designation.

## SERVICES

SK Wealth is a provider of financial, estate, retirement and tax planning services. Compensation for these services is derived exclusively from fees. SK Wealth does not earn commissions (or have any other related compensation arrangements) from the sale of investment or insurance related products. SK Wealth conducts asset allocation and also provides investment management through the selection of mutual funds, ETFs (electronically traded funds) and separate account managers.

Our philosophy is to provide financial services that are responsive to our clients’ unique goals and objectives. In formulating and implementing strategies, we will act as the financial “quarterback” by coordinating the services of other specialists. This process requires a high degree of client involvement. As such, we are committed to educating our clients on the fundamental economic and financial issues relating to their overall financial framework.

SK Wealth provides these services to individuals, corporations and not-for-profit organizations.

SK Wealth generates its revenue in the following categories:

<u>Category</u>	<u>Percentage</u>
Investment management fees	96%
Financial planning fees	3%
Tax return preparation fees	1%

## CODE OF ETHICS

SK Wealth has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. SK Wealth and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. The Code of Ethics covers a range of topics that may include: general ethical principles, receipt and giving of gifts, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code of Ethics, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Adviser will provide a copy of the Code of Ethics to any client or prospective client upon request.

## INVESTMENT POLICY

### **Philosophy:**

Many investment professionals focus their attention on the evaluation and selection of specific issues (stocks/bonds) rather than on the portfolio as a whole. It is a common misconception that skilled professionals, with their financial resources and information gathering abilities, should be able to consistently “beat the market.” It is assumed that this can be done with sophisticated securities analysis and selection, and by “timing” moves into and out of the

markets. This assumption is based on the premise that markets are inherently inefficient, thereby allowing investors with superior skills to outperform benchmarks of market performance.

Most academic and industry research, however, supports the concept that markets are efficient. (The nature of efficient markets is such that all participants have the same overall information on the markets in general ... and specific issues in particular.) Ironically, the sophistication of money managers (and their virtually instantaneous access to information) creates greater efficiency in the marketplace, thereby making above-average returns extremely difficult to achieve.

Studies have shown that over 90% of the variability in the returns of a portfolio can be explained by the asset allocation policy - with market timing and security selection playing minor roles. Asset allocation is the process of selecting a mix of asset classes - and the efficient allocation of capital to those assets - by matching historical rates of returns to a specified and quantifiable tolerance for risk. (Risk tolerance is essentially the percentage of an investment portfolio that an investor is willing to risk in order to achieve a specific rate of return.) It is no longer a one-dimensional process of selecting the right stock, bond, or property to place in a portfolio.

Portfolio diversification is not so much a function of the number of stocks and bonds involved, as it is of the relationships of each asset to each other asset and their relative proportion within the portfolio. Therefore, investors should search for those assets that tend to move independently of one another - or possibly go up in value as the values of other assets decline. By using asset allocation methodologies, investors should achieve higher returns with less risk.

At SK Wealth, we utilize Modern Portfolio Theory management techniques, which are concerned with investment analysis, portfolio design, and performance evaluation. In other words, we focus attention on the overall composition of the investment portfolio. Specific investment strategies are based on our clients' unique financial circumstances and explicit risk/reward objectives.

### **Asset Diversification and Style Issues:**

The stock and bond markets are composed of numerous styles and sectors (i.e. Large Cap vs. Small Cap, Value vs. Growth, Government Bonds, Corporate Bonds, International Securities, etc.). To access the return potential of the financial markets and reduce risk, a portfolio must be diversified within each asset class. Therefore, there should be carefully designed strategies for the domestic equity market, the international equity market, and the fixed income market.

To implement a broadly diversified asset allocation policy, the portfolio should utilize specialist managers who invest in distinct sectors of the markets. These specialists should be required to adhere to their investment discipline. This focus provides the opportunity for greater consistency and predictability of results.

For example, equities can be divided into different groups, distinguished by size and type:

*Large cap* stocks are securities of firms whose total market value (number of shares times the share price) is greater than \$1 billion. Large cap stocks are typically more liquid and have lower share price fluctuations, yet have a somewhat lower average return.

*Small cap* stocks, securities of firms with a total market value of less than \$1 billion, typically have fewer shares outstanding and are more volatile - but historically have had higher average returns.

*Growth* stocks are securities of firms that are projected to have above-average earnings growth in the next few years. These firms typically pay little, if any, dividends or income and may exhibit more volatile performance.

*Value* stocks derive more of their return from dividends paid by the security. Value stocks tend to act as “defensive” stocks and will usually perform better in down markets.

Historically, growth and value equity styles move in and out of favor in different markets - and in a random fashion. At times, growth stocks outperform value. In other periods, value stocks outperform growth. Similarly, small cap and large cap company securities are also popular at varied times. Just as with other financial projections, no one has developed a way to accurately predict how a particular style will perform in any given time.

A properly structured portfolio will provide exposure to all types of equities, through “style diversification.” Combining each of these investment styles will enable the portfolio to benefit from the unique characteristics of the different types of equities - while minimizing the risk of the overall portfolio.

### **Investment Implementation:**

SK Wealth uses both internal and external research to develop our asset allocation models.

Mutual funds and ETFs are excellent vehicles for efficiently investing within our predetermined asset allocations. SK Wealth has access to the mutual fund and ETF universe through our custodial relationship with Charles Schwab & Co.’s Institutional Division. Individual fund and ETF selection is made using analytical screens that weigh many factors, including (but not limited to) historical performance, adherence to stated investment objective, management status and tenure, portfolio size and internal fund expenses.

More and more, institutional investors are utilizing index funds to implement their asset allocation strategies. Since studies have shown that “active” money managers have historically added minimal value to a portfolio’s return, index funds are a lower cost alternative to getting “passive” access to a certain asset class. Whenever appropriate, based on a client’s specific circumstances, SK Wealth will make use of index products within our portfolios.

For some clients, we will consider using separately managed accounts. Separately managed accounts utilize individual securities (i.e. stocks and bonds) and are managed by specialist money managers. Managed accounts are generally appropriate for high net worth clients, where the emphasis is on tax efficiency. The managers of these accounts are subject to the same due diligence standards applied to our mutual fund selections.

SK Wealth utilizes mutual funds, ETFs, and separately managed accounts for its clients. SK Wealth has the discretion to determine, without obtaining specific client consent (1) the securities to be bought or sold; (2) the amounts of such securities; (3) the broker or dealer to be used; and (4) the commission rates paid.

Mutual funds, ETFs, and separately managed accounts carry internal expenses that are in addition to any fees paid to SK Wealth. These costs are clearly explained to the client before any investments are made.

### **Custody of Assets:**

SK Wealth may require that clients establish brokerage accounts with the Schwab Institutional® division of Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although SK Wealth may require that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab, SK Wealth is independently owned and operated and not affiliated with Schwab.

Schwab provides SK Wealth with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon SK Wealth committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For SK Wealth client accounts maintained in its custody, Schwab generally does not charge separately for custody services, but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to SK Wealth other products and services that benefit SK Wealth but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of SK Wealth's accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist SK Wealth in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of SK Wealth's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help SK Wealth manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to SK Wealth. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to SK Wealth. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of SK Wealth personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, SK Wealth may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of

factors it considers an not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Performance Measurement:**

All money managers, active as well as passive, should be held accountable to a predetermined benchmark for performance. At SK Wealth, we subscribe to various services that supply us with hundreds of benchmark measures, performance figures for thousands of mutual funds, and a database of asset classes that includes information on risk (standard deviation) and other important measures.

SK Wealth will supply quarterly performance reports on a regular basis. We have access to transaction and pricing data on a daily basis, and our portfolio management software enables us to provide comprehensive reporting on demand. In addition, our clients receive monthly statements directly from the custodian.

Our reporting system can generate rate of return calculations (time weighted and internal rate of return calculations) for any period desired. Our reports also summarize activity for the period and will compare investment positions to a client's documented allocation policy.

Generally, a financial planner and the Director of Investments will review each clients' portfolio twice each quarter. Such reviews are scheduled each quarter and performed on a routine basis. All financial planners and the Director of Investments are reviewers.

### **FEES**

*SK Wealth is compensated by fees only.* (We do not receive any compensation from commissions or other transaction charges.) For the management of investment portfolios, our fees are based on the assets under management. These fees are rarely negotiable and are invoiced quarterly (in arrears) according to the following schedule:

<u>Account Balances</u>	<u>Annual Percentage</u>
0-\$100,000	1.50%
\$100,001 - \$250,000	1.25%
\$250,001 - \$450,000	1.00%
\$450,001 - \$700,000	0.75%
\$700,001 - \$1,250,000	0.50%
\$1,250,001 - \$2,500,000	0.40%
\$2,500,001 and above	0.30%

Generally, we will quote a maximum total fee for personal financial planning engagements. Other one-time consulting services may be billed at an hourly rate of \$225.

In general, we set an overall portfolio minimum at \$300,000. We do make exceptions to this policy occasionally.

**DISCLOSURE STATEMENT CONCERNING ECONOMIC  
BENEFIT FOR CLIENT REFERRALS**

SK Wealth is an investment adviser registered with the Securities and Exchange Commission. SK Wealth's members receive an allocation of SK Wealth's profits based on the amount of business they generate for SK Wealth. This allocation does not increase the amount of fees paid by you as a client. All of SK Wealth's members except Jason Archambault are also partners of Sansiveri, Kimball & Company, LLP, (Sansiveri) an independent public accounting firm. As a result, in their capacity as members of SK Wealth, Sansiveri's partners may receive an economic benefit for referring clients to SK Wealth.

Name of referring member: \_\_\_\_\_

03.19.2010