

# ***CKW FINANCIAL GROUP WRAP FEE PROGRAM***

Sponsored by

**CKW FINANCIAL GROUP, LLC**

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**[www.ckwhawaii.com](http://www.ckwhawaii.com)**

The wrap fee program brochure provides information about the qualifications and business practices of CKW Financial Group, LLC and CKW Financial Group Wrap Fee Program. If you have any questions about the contents of this brochure, please contact us at 808-629-7600 or [carl.choy@ckwhawaii.com](mailto:carl.choy@ckwhawaii.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about CKW Financial Group, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 152116.

December 14, 2015

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# Material Changes

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## Annual Update

CKW Financial Group, LLC (CKW) is providing this information as part of our annual updating amendment of the wrap fee program.

## Material Changes since the Last Update

- **Client Referrals and Other Compensation**

CKW Financial Group, LLC has changed their policy to now engage third party solicitors and intermediaries for referring potential clients to our firm. The cost of such services are paid completely by CKW. CKW's fees are not increased or passed along to a referred client.

## Full Brochure Availability

The Firm Brochure for CKW Financial Group, LLC is available by contacting Carl Choy at 808-629-7600 or [carl.choy@ckwhawaii.com](mailto:carl.choy@ckwhawaii.com).

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# Services, Fees and Compensation

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## Services Description

The CKW Financial Group Wrap Fee Program (the “Program”) is a fee-only investment advisory program sponsored by CKW Financial Group, LLC (“CKW”). The Program provides individuals, trusts, estates, charitable organizations and business entities the ability to trade in exchange-traded funds, individual debt and equity securities, mutual funds and other eligible securities (collectively “Eligible Securities”) without incurring separate brokerage commissions or transaction charges.

## Joining the Program

To join the Program a person must:

- (1) Complete a client profile (the “Client Profile”) and any other supporting documentation required for the program;
- (2) Complete the investment advisory wrap fee agreement (the “Program Agreement”) with CKW and become a client (“Client”) of the Program;
- (3) Complete a new account agreement with Fidelity Institutional Wealth Services (“Fidelity”) or another broker dealer approved by CKW for participation in the Program (“Broker-Dealer”), and open a securities brokerage account with the Broker-Dealer (“Account”) and deposit those Client assets designated for participation in the Program (“Program Assets”) into the Account.

## Clearing of Securities Transactions; Custody and Account Statements

All transactions in the Account are cleared through the Broker-Dealer. Either the Broker-Dealer or a custodian meeting the requirements of a “qualified custodian” as defined under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (“Custodian”), will maintain custody of the Participant’s Program Assets. Program Participants will receive confirmations of transactions executed for their Account (unless they choose to suppress them) from the Broker-Dealer as well as periodic account statements as agreed with the Broker-Dealer and/or Custodian.

## Program Cost

Clients in the Program pay a single annualized fee for participation in the Program (the “Program Fee”) ranging between 0.10% and 1.50% of the market value of the assets (“Program Assets”) being managed under the Program and the types of investment strategies implemented.

The Program Fee is payable quarterly, in advance or arrears depending on the account, based upon the market value of the assets on the last day of the previous quarter. In limited circumstances, the Program Fee is payable quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter. CKW, in its sole discretion, may charge a lesser Program Fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* purposes, etc.).

For Clients who are billed in advance, Clients in the Program may make additions to and withdrawals from an Account at any time, subject to CKW’s right to terminate an Account. If Program Assets are deposited into an Account after the inception of a quarter that exceed ten (10%) percent of the Account value, the fee payable with respect to such Program Assets will be prorated based on the number of days remaining in the quarter. Clients may withdraw Program Assets on notice to CKW, subject to the usual and customary securities settlement procedures. For partial withdrawals in excess of ten (10%) percent of

the Account value within a billing period, CKW shall credit its unearned fee towards the next quarter's fee. However, CKW designs its portfolios as long-term investments and Program Asset withdrawals may impair the achievement of a Client's investment objectives.

For Clients who are billed in arrears, Clients in the Program may make additions to and withdrawals from an Account at any time, subject to CKW's right to terminate an Account. Clients may withdraw Program Assets on notice to CKW's subject to the usual and customary securities settlement procedures. However, CKW designs its portfolios as long-term investments and Program Asset withdrawals may impair the achievement of a Client's investment objectives. If the Program is terminated, the Program Fee will be assessed *pro rata* and charged or refunded to the Client in a timely manner.

CKW's Program Agreement and Client Agreement with the Custodian may authorize the Custodian to deduct the Program Fee from the Client's Account and remit it directly to CKW. In arrangements where the Program Fee is deducted directly from the Client's Account, CKW will instruct the Custodian to send the Client a statement, at least quarterly, indicating all amounts disbursed from their Account, including the amount of the Program Fee paid directly to CKW.

Certain Independent Managers (as defined below) may impose more restrictive requirements and varying billing practices than CKW. In such instances, CKW may alter its corresponding requirements and/or billing practices to accommodate those of the Independent Managers.

## **Additional Fees**

Program Clients may incur certain charges imposed by third parties in addition to the Program Fee. Such charges include, but are not limited to, fees charged by Independent Managers (for certain clients), charges imposed directly by a mutual fund and or other investment vehicles purchased in the Client's Account which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), certain deferred sales charges on previously-purchased mutual funds, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

## **Compensation**

Under the Program, Client's receive both investment advisory services and the execution of transactions in Eligible Securities for a single, combined annualized fee, the Program Fee. For certain Clients in the Program, the investment management fees charged by Independent Managers (as defined below) may also be included in the single annualized fee. Participation in the Program may cost the Client more or less than purchasing such services separately. The number of transactions made in the Client's Account, as well as the commissions charged for each transaction, will determine the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. The Program Fee may be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

If an Independent Manager (as defined below) trades away from the Broker-Dealer or Custodian designated by the Program, CKW shall not be responsible for the cost of the commission generated by such trade(s). Clients should be aware; however, that this may create a conflict of interest since this may influence CKW's choice of Independent Manager over another Independent Manager providing similar services.

# Account Requirements and Types of Clients

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## **Program Requirements**

CKW does not require any minimum Account size or impose any minimum fee to participate in the Program.

## **Types of Clients**

The Program is available to individuals, trusts, estates, charitable organizations, foundations, Taft-Hartleys, multi employer, non-profits and business entities.

# Portfolio Manager Selection and Evaluation

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## **Process for Selection and Review of Portfolio Managers**

Factors that CKW shall consider in selecting Independent Managers include Client investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. All information is publicly available to RIA's from other SEC registered advisors and databases. CKW believes these sources, such as Morningstar, to be reliable.

## **Related Person as Portfolio Manager**

CKW acts as a Portfolio Manager for the Program. All Clients in the Program shall grant CKW discretionary authority to buy, sell and otherwise trade Eligible Securities for their Account and to liquidate previously-purchased securities that the Client has transferred to their Account. Assets in the Client's Account designated for a particular Investment Strategy (each a "Portfolio") shall be managed by one of CKW's investment adviser representatives, in accordance with the Client's Investment Strategy.

CKW may recommend that Program Clients authorize the active discretionary management of a particular Portfolio or Portfolios in the Program by and/or among one or more independent investment managers (hereafter "Independent Managers") to implement a particular Investment Strategy. CKW shall continue to render advisory services to the Client regarding their current Investment Strategy, the ongoing suitability and performance of each Independent Manager, and the monitoring and review of the overall performance of the Account.

## **Management of Your Portfolio**

The terms and conditions under which the Client shall engage the Independent Manager(s) shall be set forth in written agreement(s) between (1) the Client and CKW and, in some instances, (2) the Client and the designated Independent Manager(s) and/or wrap fee program sponsor. The investment management fees charged by the designated Independent Manager(s), may be exclusive of, and in addition to, CKW's investment advisory fee. For certain participants in the Program, investment management fees charged by the designated Independent Manager(s) may be included in the single annualized Program fee. In addition to CKW's written disclosure statement, the Client shall also receive the written disclosure statement of the designated Independent Manager(s).

If CKW refers a Client to certain Independent Manager(s) where CKW's compensation is included in the advisory fee charged by such Independent Manager(s) and the Client engages those Independent Manager(s), CKW may be compensated for its services by receipt of a fee to be paid directly by the Independent Manager(s) to CKW in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee shall be paid solely from the Independent Manager(s) investment management fee or the program fee of the wrap fee program (as appropriate), and shall not result in any additional charge to the Client.

### **Conflicts of Interest**

CKW may receive from Fidelity and others, without cost to CKW, computer software and related systems support, and any other benefits which allow CKW to better monitor and manage Client accounts. CKW may receive the software and related support without cost because CKW renders investment management services to Clients that maintain assets at Fidelity. The software and related systems support may benefit CKW, but not its Clients directly. In fulfilling its duties to its Clients, CKW endeavors at all times to put the interests of its Clients first. Clients should be aware; however, that CKW's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence CKW's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, CKW may receive the following benefits from Fidelity through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to Client accounts; and access to an electronic communication network for Client order entry and account information.

## **Client Information Provided to Portfolio Manager**

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### **Description of Information Provided**

After gathering information provided by the Client in the Client Profile, CKW shall assist the Client in developing an appropriate investment strategy for the assets in their Account (the "Investment Strategy"). Thereafter, Clients will be contacted periodically and requested to provide CKW with information regarding changes to their financial situation or investment objectives impacting their Client Profile. CKW shall periodically reassess the current Investment Strategy based on any other information provided by the Client regarding their Client Profile.

All Clients are encouraged to contact or meet, at least annually, with CKW to comprehensively review their Account performance, update their Client Profile, and determine whether changes should be made to their Investment Strategy.

## **Client Contact with Portfolio Manager**

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## **Restrictions for Contact with Portfolio Manager**

There are no restrictions on Clients to contact or consult with CKW regarding the Program or their Account.

## **Reports From the Program**

Unless otherwise agreed upon, Clients are provided with transaction confirmation notices and regular summary Account statements directly from the Broker-Dealer or Custodian for the Client Accounts.

# **Additional Information**

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## **Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

## **Other Financial Activities and Affiliations**

Certain of CKW's Advisory Affiliates (as defined in CKW's Form ADV), in their individual capacities, are also licensed insurance agents but do not receive compensation from the sale of any securities or investment products.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

CKW has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Advisers Act, its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by CKW or any of its associated persons. The Code of Ethics also requires that certain of CKW's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. Clients may contact CKW to request a copy of its Code of Ethics.

Unless specifically permitted in CKW's Code of Ethics, none of CKW's Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of CKW's Clients.

When CKW is purchasing or considering for purchase any security on behalf of a Client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when CKW is selling or considering the sale of any security on behalf of a Client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

## **Review of Accounts**

Accounts are reviewed at least annually in the context of the clients' financial situation and investment objectives. More frequent reviews may be triggered by material changes in variables such as client circumstances, the market, political or environmental environment.

## **Voting Client Proxies**

CKW does not vote proxies on behalf of its Clients.

## **Other Services Offered**

CKW also provides financial planning, consulting and investment management services to its Clients outside of this Program. Fees for such other services may be based upon fixed fees as well as fees based upon assets under management that do not include transaction fees, commissions, and other costs, which are incurred separately. The terms and conditions for these other services are set forth in Part II of CKW's Form ADV, which is available from CKW upon request.

## **Client Referrals and Other Compensation**

It is CKW's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

It is CKW's policy not to pay related persons for referring potential clients to our firm, at this time.

CKW does engage third party solicitors and intermediaries for referring potential clients to our firm. The cost of such services are paid completely by CKW. CKW's fees are not increased or passed along to a referred client.

## **Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client for more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

CKW Financial Group, LLC currently has no financial condition that would likely impair our ability to meet contractual commitments to clients, nor have we not been the subject of a bankruptcy petition at any time during the past ten years.

# About the Sponsor

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## Management and Education Standards

CKW's executive management and all individuals that render investment advisory services on behalf of CKW must have earned a college degree and/or have substantive investment-related experience. In addition, all such individuals shall have attained all required investment-related licenses and/or designations. The following individuals are CKW's principal executive officers and determine the general investment advice given to Program clients:

### **CARL E. CHOY**

Born 1957

*Post-Secondary Education:* University of Hawaii – 1981, BBA, Finance

*Recent Business Background:*

CKW Financial Group, LLC, Managing Member, 11/2009 – Present

Merrill, Lynch, Pierce, Fenner & Smith Inc., Sr. Vice President, 10/2008 – 10/2009

Morgan Stanley & Co., Inc., Sr. Vice President, 4/2007 – 10/2008

Dean Witter Reynolds, Inc., Sr. Vice President, 3/1982 – 4/2007

### **LYNNE R. KINNEY**

Born 1961

*Post-Secondary Education:* University of Hawaii – 1992, BBA, Finance and International Business

*Recent Business Background:* CKW Financial Group, LLC, Managing Member, 11/2009 – Present

Merrill, Lynch, Pierce, Fenner & Smith Inc., Sr. Vice President, 10/2008 – 10/2009

Morgan Stanley & Co., Inc., Sr. Vice President, 4/2007 – 10/2008

Dean Witter Reynolds Inc., First Vice President, 2/1993 – 4/2007

### **RONALD “BUZZ” WO**

Born 1953

*Post-Secondary Education:* University of Washington – 1979, MBA, Finance

Lewis and Clark College – 1975, BBA, Business

*Recent Business Background:* CKW Financial Group, LLC, Member, 11/2009 – Present

Merrill, Lynch, Pierce, Fenner & Smith Inc., Vice President, 10/2008 – 10/2009

Morgan Stanley & Co., Inc., Vice President, 4/2007 – 10/2008

Dean Witter Reynolds Inc., Assoc. Vice President, 2/2001 – 4/2007