



ITEM 1: COVER PAGE

KOVACK ADVISORS, INC.

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(866) 564-6574
www.kovackadvisors.com**

March 31, 2026

FORM ADV PART 2A BROCHURE

Kovack Advisors, Inc. is a registered investment adviser. An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Kovack Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (866) 564-6574. 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 Kovack Advisors, Inc. is available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Kovack Advisors, Inc. is 140808.

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ITEM 2: MATERIAL CHANGES

The purpose of this section is to inform you of any material changes since the previous annual updating amendment filed with regulators on March 31, 2025.

On April 28, 2025, we added additional clarifications to Items 5 and 14 regarding various conflicts of interest due to arrangements with various independent third-party managers, programs, and custodians, as well as arrangements between Kovack Advisors, Inc. ("KAI") and its Investment Adviser Representatives ("IARs").

- Item 5 was updated to clarify that preferential pricing and/or other cost reductions, preferential servicing and/or accommodations, marketing assistance, or other benefits, from an independent, Third-Party Asset Manager (TPAMs), Turnkey Asset Management Programs (TAMPs), and account custodians. Such benefits may or may not benefit the Client; they may only benefit KAI, KSI, and/or the IAR. Since IARs/branches are permitted to select among KAI's approved third parties and custodians, some Clients may pay different costs than other Clients. Where KAI and/or individual IARs utilize the services of various third parties for their proprietary accounts and/or personal accounts, they may receive discounted rates not available to Clients. Additionally, KAI may offer reduced platform costs and clearing firm costs to different Investment Adviser Representatives (IARs). Some IARs may receive lower platform fees or clearing firm costs, which reduces their overall cost. These reductions depend on factors such as the IAR's agreement with KAI, the types of accounts they manage, asset amounts, or other specific circumstances. These reduced costs are directly tied to advisor compensation and could create a conflict of interest. In addition, IARs or their branches are permitted to negotiate fees with clients within KAI's established parameters. Therefore, some Clients may pay higher or lower fees than other Clients for similar services, and IARs have a conflict of interest because they have an inherent financial incentive based on their specific payment arrangements with KAI when negotiating fees with Clients.
- Item 14 was updated to include that some vendors, third-party managers, or other service providers pay for sponsorships and/or reimburse KAI and/or Kovack Securities, Inc. ("KSI") for general and other expenses associated with KAI and/or KSI conferences in exchange for attending our conferences to present their products and services to our IARs. This presents a conflict of interest because we are incentivized to recommend products issued by companies willing to pay to present at the conferences, though IARs are not required by KAI to offer or sell products presented at the conferences. However, the marketing and educational activities of the companies that present at the conferences lead IARs to focus more on these products than on those not presented at the conferences. Clients are under no obligation to purchase any recommended product, and comparable products may be available through other sponsors and issuers.

On January 15, 2026, we made the following material changes:

- Item 4 was updated to reflect that KAI has retained Envestnet Asset Management, Inc. ("Envestnet") to support the delivery of KAI's wealth management investment services to clients. When a client chooses to retain KAI, a KAI IAR will work with the client to complete a risk tolerance questionnaire in Envestnet. Answers to the risk tolerance questionnaire will define each client's specific investment objectives, risk tolerance, and goals. From there, the IAR will generate a statement of investment selection ("SIS") that serves to establish an understanding between KAI and the client regarding the investment objectives, goals, and guidelines that KAI will use to manage the client's assets. The SIS contains the client's risk rating, investment allocations, and a fee schedule. KAI will manage client accounts pursuant to the SIS. The risk tolerance threshold will assist your IAR in selecting a specific allocation and/or model portfolio created by KAI, the IAR, or a third-party manager available through the platform. Because KAI uses multiple custodians, execution times and methods may differ depending on Envestnet's trading practices and the specific custodian selected.
- Item 5 was updated to disclose that, in recognition of the ticket charges or Asset-Based Pricing, a client's Investment Adviser Representative may incur on a client's behalf, the client may pay a higher negotiated annual Advisory Fee. This Advisory Fee may be higher than fees that could be obtained at other investment advisers. Clients with less actively traded accounts may, therefore, benefit from paying the Advisory Fees, costs, and expenses themselves and paying a lower overall negotiated annual Advisory Fee.
- Kovack Securities, Inc. ("KSI") and Kovack Advisors, Inc ("KAI") (collectively referred to as "we," "our," or "us") are making important changes to the investments that we offer for the core account investment vehicle, or "sweep", of available cash balances in your Brokerage/Advisory Account held with National Financial Services LLC ("NFS"). On or shortly after February 19, 2026 (the "Effective Date"), we will no longer offer your current core account investment vehicle in your Brokerage/Advisory Account. Beginning on the Effective Date, we will change the core account investment vehicle used by your Brokerage/Advisory Account

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to the Bank Deposit Sweep Program (“BDSP” or “Program”) and available cash balances will be transferred to the BDSP and swept through the BDSP service into interest-bearing deposit accounts (the “Deposit Accounts”) at one or more banks (each, a “Bank” or “Program Bank”) and your current core account investment vehicle will not accept any new monies. All debits created on or after the Effective Date, including securities purchases and charges, will be satisfied by deposits from the Program swept to your Brokerage/Advisory accounts. Similarly, all credits created on or after the Effective Date by deposits, sales, interest, and dividends will be swept into the Program. You do not need to take any action or provide your affirmative consent for these changes to your sweep to take effect on the Effective Date. You may, however, contact your Investment Representative by no later than February 16, 2026, to understand available alternatives to the BDSP. Beginning on the Effective Date, KSI/KAI will designate the BDSP as the default and only core account investment vehicle for use by KSI/KAI accounts held with NFS that are eligible to participate in the Program. As such, the BDSP will be the default and only core account investment vehicle available for use by eligible Brokerage/Advisory Accounts opened on or after the Effective Date, and existing Brokerage/Advisory Accounts’ ability to change their current core account investment vehicle selections on or after the Effective Date will be limited to the BDSP. You will continue to have the ability to purchase money market mutual funds and other investment options that we make available to you outside of the Program. The Program creates financial benefits for us and/or our affiliates, NFS, and certain third-party Program service providers. Financial benefits include the payment of compensation to us, NFS, and third-party Program service providers that result from your use of the Program. These financial benefits incentivize us to make the Program the default and only cash sweep available for your Program-eligible Brokerage/Advisory accounts, rather than a different cash sweep that does not entail such financial benefits to us or entails lesser financial benefits to us, resulting in a conflict of interest for us. Cash balances in your account help support fees to us, NFS, and third-party Program service providers. Therefore, we have a conflict of interest and an incentive to enroll persons in the Program and recommend that you maintain cash in your account, which will be included in the Program, and increase compensation to us. We address this conflict by disclosing it to you, not sharing any compensation we receive from the Program with your Investment Representative, and making other non-sweep investment options available to you, such as Money Funds. We and/or our affiliates, and NFS and certain third-party Program service providers are paid a fee for administering the Program (collectively, the “Program Fee”). The Program Fee is calculated by multiplying the cash deposits held at a Program Bank by the overall bank rate for that Program Bank and then subtracting total interest paid to you (based on the interest rate) on cash deposits held in the Program. This calculation creates an incentive to pay a lower interest rate in order to maximize the Program Fee. Since we set and calculate the interest rate in connection with the Program, this discretion creates a conflict between our interests and your interests because the determination of our share of the interest paid by the Program Banks that we retain as compensation directly affects and reduces the interest you earn on your cash deposits held in the Program. Both we and NFS may receive more revenue with respect to amounts in the Program than with respect to other sweep products. Additionally, cash and cash equivalents are included in the calculation of our advisory fees. Items 5, 12, and 14 were updated accordingly.

- Item 8 was updated to include risks associated with cash and cash equivalents. Accounts may maintain significant cash positions, including sweep and free credit balances, from time to time, and the client will pay the advisory fee based on the market value of the cash positions. Other cash beyond the minimums may be for anticipated client liquidity needs or be cash awaiting investment. The account may forego investment opportunities by holding cash positions. In most cases, cash positions generate less interest or a lower rate of return than other available investment options. In volatile markets, larger cash positions may reduce losses sustained by an investment portfolio. Conversely, in positive markets, or where interest rates are higher, larger cash balances may underperform investments in money market securities or other cash alternatives.
- Item 9 was updated to report that on November 21, 2025, KAI entered into a consent order with the Delaware Investor Protection Unit, which alleged that KAI violated or failed to comply with various sections of the Delaware Securities Act by filing incomplete registration materials, failing to supervise its employees, failing to adhere to its own written supervisory procedures, and failing to maintain certain records and documents. KAI agreed to resolve the dispute pursuant to the terms of the order without admitting or denying the findings of fact or conclusions of law contained in the order to avoid the expense and uncertainties of protracted litigation. KAI paid a \$995,180 fine and consented to comply with certain undertakings involving removing inaccurate documentation in its active personnel files or providing inaccurate information to regulators and refraining from committing future violations of the Delaware Securities Act.
- Item 12 was updated to clarify that KAI does not accept client-directed brokerage arrangements. As such, all clients will be required to use the services of one or more recommended broker-dealers/custodians with which we have a business relationship. Not all advisers require their clients to direct brokerage to a particular broker-dealer/custodian. By directing brokerage, we may be unable to always achieve the most favorable execution of client transactions, which may result in higher commissions and/or trading costs than those that may be available elsewhere.
- Item 14 was updated to further clarify economic benefits received from vendors and product sponsors, including additional compensation, revenue-sharing agreements with unaffiliated, third parties, certain allowances, compensation, reimbursements,

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and/or services from such third parties, compensation to support technology, training, marketing, staffing, and ongoing education of KAI's IARs, administrative support, business development, compliance consulting, periodic conference calls regarding industry news, market commentary, and executive updates, along with education and marketing support for KAI's IARs. Additionally, such third parties may sponsor or participate in annual conferences for KAI and its IARs, designed to facilitate and promote the success of KAI and/or relevant third parties. KAI may receive discounted pricing from these third parties for services, such as practice management and marketing-related tools and services. The amounts of compensation vary depending on the value of, for example, the client assets on the relevant technology platform. Compensation received may be in the form of a flat dollar amount, a percentage of the value of new or existing account assets of Clients, or a technology discount, etc. Additionally, in some cases, KAI is eligible to receive a one-time annual payment based on the number of new IARs using the platform. These arrangements create conflicts of interest because KSI, its representatives, KAI, and its IARs have a financial incentive to recommend these third parties over other third parties based on these additional arrangements. You are under no obligation to accept any recommendation to use any such third-party programs or platforms. Lower fees and/or comparable services may be available elsewhere.

On March 31, 2026, we submitted our annual updating amendment for the firm's fiscal year ending December 31, 2025. We have made the following changes to our Form ADV Part 2A Brochure:

- Items 4, 5, 8, and 10 were updated with clarifications regarding third-party asset manager program (TAMPs) relationships and third-party money managers (TPMM) relationships. We also offer administrative services to independent registered investment advisers.
- Item 5 was updated regarding billing on cash positions in the Bank Deposit Sweep Program at NFS. Billing on cash positions that exceed 20% for more than 90 consecutive days will cease as of the last day of the relevant billing period, unless an exception is granted.
- Item 8 was updated with important information regarding the use of Artificial Intelligence when delivering our services, marketing, and other communications. AI Tools are also used to record and transcribe client meetings. AI Tools are highly complex and are known to have been flawed, hallucinate, reflect biases included in the data on which such tools are trained, be of poor quality, or be otherwise harmful. AI Tools present Cybersecurity Risk. The U.S. and global legal and regulatory environment relating to the use of AI Tools is uncertain and rapidly evolving, and could require changes in the firm's implementation of AI Tools and increase compliance costs and the risk of non-compliance. Further, the firm may rely on AI Tools developed by third parties, and the firm has limited control over the accuracy and completeness of such AI Tools. Clients who do not want us to record their meetings have the option to opt out at the time of the meeting.

You can find our brochure and other disclosure information at the bottom of the page on our website at <https://kovackadvisors.com/>. Currently, all our Brochures may be requested free of charge by contacting Alejandro Osuna at (954) 782-4771 or advbrochure@kovackadvisors.com. Additional information about our firm and its financial advisers is available at www.adviserinfo.sec.gov.

If you have questions, please contact your KAI Investment Adviser Representative ("IAR") directly or contact the KAI Chief Compliance Officer at (954) 782-4771.

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ITEM 4: ADVISORY BUSINESS

Kovack Advisors, Inc. (hereinafter “KAI”, “the firm”, “our firm”, “us”, or “we”) is a registered investment adviser based in Fort Lauderdale, Florida. We are a corporation, organized under the laws of the State of Florida. KAI is wholly owned by Kovack Financial, LLC (“KFN”). KAI was founded by Ronald Kovack, former Chairman. Brian Kovack, CEO of KFN and President of KAI, Melinda Wolfe, Executive Vice President of KAI, and Cecilia Mercado, Chief Compliance Officer of KAI, are responsible for the day-to-day management of KAI. We have been registered as an investment adviser and have been providing investment advisory services since 2004.

You may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our firm who is an officer, employee, or individual providing investment advice on behalf of our firm. Where required, such persons are properly registered as Investment Adviser Representatives (“IARs”).

Currently, we offer the following investment advisory services, personalized to each individual Client:

- **Asset Management Services**
- **Financial Planning Services**
- **Services Offered to Other Advisors**

KAI does not specialize in a particular type of advisory service and does not provide investment advice limited to specific types of investments.

ASSET MANAGEMENT SERVICES

Our firm offers continuous discretionary and non-discretionary asset management services. Discretionary asset management means we will make investment decisions and place buy or sell orders in your account without contacting you for prior approval for each transaction. These decisions are made based on your stated investment objectives. We will monitor your portfolio’s performance on a continuous basis and rebalance the portfolio whenever necessary, as changes occur in market conditions, your financial circumstances, or both.

You may impose reasonable written restrictions on investing in certain securities, types of securities, or industry sectors at any time by submitting a written request to your IAR. Non-discretionary asset management service means that we must obtain your approval prior to making any transactions in your account. Our investment advice is tailored to meet your needs and investment objectives. If you decide to hire our firm to manage your portfolio, we will meet with you to gather your financial information, determine your goals, and help you determine how much risk you should take in your investments. The information we gather will help us implement an asset allocation strategy that will be specific to your goals, whether we are actively investing for you or simply providing you with advice.

KAI has retained Envestnet Asset Management, Inc. (“Envestnet”) to support the delivery of KAI’s wealth management investment services to clients. When a client chooses to retain KAI, a KAI IAR will work with the client to complete a risk tolerance questionnaire in Envestnet. Answers to the risk tolerance questionnaire will define each client’s specific investment objectives, risk tolerance, and goals. From there, the IAR will generate a statement of investment selection (“SIS”) that serves to establish an understanding between KAI and the client regarding the investment objectives, goals, and guidelines that KAI will use to manage the client’s assets. The SIS contains the client’s risk rating, investment allocations, and a fee schedule. KAI will manage client accounts pursuant to the SIS. The risk tolerance threshold will assist your IAR in selecting a specific allocation and/or model portfolio created by KAI, the IAR, or a third-party manager available through the platform. Because KAI uses multiple custodians, execution times and methods may differ depending on Envestnet’s trading practices and the specific custodian selected.

SELECTION OF INDEPENDENT THIRD-PARTY MONEY MANAGERS (TPMMs)

As part of our overall asset management strategy, based on the discretion granted to KAI in the investment management agreement, we may select an outside third-party money manager (TPMM) or strategy that is not available through the Envestnet platform to manage all or a portion of your account. All TPMMs selected by our firm must either be registered as investment advisers or exempt from registration requirements. Factors that we consider when making our selections include, but are not limited to, the following: the TPMM’s performance, methods of analysis, and fees, as well as your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the TPMM’s performance to ensure its management and investment style remain aligned with your investment goals and objectives.

Where Client appoints KAI as Client’s agent to buy and sell securities or other investments for Client’s account on a discretionary basis, Client delegates to KAI the authority to retain one or more TPMMs to provide all, or a portion, of the discretionary management services with respect to Client’s account. KAI shall have the discretion to hire and fire any TPMM without Client consent. To the extent that Client participates in a specific program offered by KAI that is provided through a TPMM, the investments that are available to Client through that program may be limited to certain types of securities. Client understands that Client may not be able to impose investment restrictions with respect to the securities and other assets that are purchased for, or held in, the account by such TPMMs.

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In some cases, you may be required to sign an agreement directly with the TPMM(s) and/or account program/platform providers. In this case, you may terminate your advisory relationship with the TPMM according to the terms of your agreement with the TPMM(s) and/or other program/platform providers. You should review each TPMM's brochure for specific information on how you may terminate your advisory relationship with the TPMM and how you may receive a refund, if applicable. You should contact the TPMM directly for questions regarding your agreement with the TPMM.

A complete description of the programs and services provided, the amount of total fees, the payment structure, termination provisions, and other aspects of each program are detailed and disclosed in i) the TPMM's Form ADV Part 2A; ii) or other applicable disclosure documents; iii) the disclosure documents of the portfolio manager(s) selected; or, iv) the TPMM's account opening documents. A copy of all relevant disclosure documents of the TPMM and the individual portfolio manager(s) will be provided to anyone interested in these programs/managers.

REFERRALS TO THIRD-PARTY ASSET MANAGER PROGRAMS (TAMPs)

As a part of our overall advisory services, we may recommend one or more Third-Party Asset Manager Programs or platforms (TAMPs) to manage your account. You will be required to enter into a separate agreement directly with the TAMP. All TAMPs recommended by our firm must either be registered as investment advisers or exempt from registration requirements. Factors that we consider when making our recommendations include, but are not limited to, the TAMP's performance, methods of analysis, and fees, as well as your financial needs, investment goals, risk tolerance, and investment objectives. Depending on the arrangements with specific TAMPs, typically, we periodically monitor the TAMP's performance to ensure its management and investment style remain aligned with your investment goals and objectives and act as a Sub-Manager for your account(s). In some cases, your IAR may or may not have discretion to change models or managers within a specific program when deemed to be in your best interest. Where we do not have discretionary authority to make changes, we simply receive a referral fee, and the TAMP is solely responsible for the management of your account. TAMP fees may or may not be negotiable. The investments that are available to the Client through a particular program may be limited to certain types of securities. Client understands that Client may not be able to impose investment restrictions with respect to the securities and other assets that are purchased for, or held in, the account by such TAMPs. Carefully review the disclosures provided for the recommended TAMP to make sure you understand the services you will receive and the fees you will pay.

MANAGEMENT OF HELD-AWAY ASSETS

KAI offers asset allocation review, rebalancing, and management services for accounts that are not held in the custody of the qualified custodian(s) recommended by our firm. These services are provided through an account aggregation service called Pontera Inc. ("Pontera"). This service primarily applies to ERISA and non-ERISA plan assets such as 401(k)s and 403(b)s, and other assets that must be held in the custody of the plan custodian(s). We regularly review the available investment options in these accounts, monitor them, and periodically rebalance and implement our strategies using different tools as necessary. If you elect to allow our firm to manage your assets through Pontera, you will be notified via email when KAI places trades through Pontera. Services and fees will be clearly set forth in the advisory agreement between you and KAI.

FINANCIAL PLANNING SERVICES

We offer various financial planning-related services, which assist our Clients in the management of their financial resources. Financial planning services are based upon an analysis of your individual needs and begin with one or more information-gathering consultations. Once we collect and analyze all documentation gathered during these consultations, KAI will provide one or more of the following services based on the information furnished by the Client:

- A review of the Client's present financial position, including the following as appropriate: net worth statement, budget/cash flow analysis, risk assessment, and income tax assessment.
- A review of the Client's financial goals, objectives, risk tolerance, and expectations.
- A written evaluation and analysis of the information the Client provided and recommendations for the Client's personalized financial plan, based on the specific needs to be covered as selected by the Client in the financial planning agreement. Only the needs selected by the Client will be covered in the written evaluation and recommendations. For example, the Client may select from one or more areas of concern, such as the following, or the Client may work with KAI to customize a plan based on specific special needs as agreed upon and set forth in the financial planning agreement between the Client and KAI:
 - General Planning, such as Educational Needs, Retirement Needs, and Estate Planning Needs
 - Risk Management Planning, such as Survivor Income Needs, Disability Income Needs, and Long-Term Care Needs
 - Special Planning, such as Business Planning Needs, Charitable Planning Needs, and Special Family Needs

You can also request financial planning services that cover a specific area, such as asset allocation analysis, manager due diligence, 401(k) platform due diligence, or advice on assets in accounts not opened through KAI ("outside accounts").

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The recommendations and solutions are designed to achieve your desired goals, subject to periodic evaluation of the financial plan, which may require revision to meet changing circumstances. Financial plans are based on your financial situation, based on the information provided to our firm. We should be notified promptly of any change to your financial situation, goals, objectives, or needs.

You may choose to accept or reject our recommendations. If you decide to proceed with our recommendations, you may do so either through our investment advisory services or by using any advisory, brokerage, or insurance provider you choose.

SERVICES OFFERED TO OTHER ADVISORS

KAI offers services to other registered investment advisory firms (each, an “Independent Advisor”) as a sub-advisor pursuant to a written agreement under our Independent Advisor Program. Independent Advisor Program accounts are not managed by KAI. KAI does not provide oversight or supervision of the Independent Advisor, and the Independent Advisor is solely responsible for complying with all federal and state rules and regulations. If you are an investment advisory client of an Independent Advisor (“Independent Advisor Program Client”) based on a written investment advisory services agreement between you and your Independent Advisor, you will typically complete a form or otherwise provide information to your Independent Advisor to enable your IAR to identify your financial situation, risk tolerance, and investment objectives. You will typically provide information to your Independent Advisor regarding your investment experience, anticipated need for liquidity, potential timing of the need for retirement funds, and other investment needs and parameters. This information will assist you and your Independent Advisor in selecting which risk and/or return strategy or strategies is/are most closely aligned with your investment goals. For example, you and your Independent Advisor may choose to invest in one or more model portfolios or other investment products managed by your Independent Advisor, KAI, or other Sub-Managers or Model Providers through one or more Turnkey Asset Manager Programs (TAMPs) (aka “Program Managers”) utilized by KAI. As part of the Independent Advisor Program, KAI provides related administrative services including, but not limited to, account opening, fund transfers, and securities trading as directed by the Independent Advisor; access to services that facilitate the management and administration of model portfolios created by the Independent Advisor, KAI, or Sub-Managers available through the TAMP; access to various financial planning, account monitoring, and reporting tools; and conducting client billing/fee deduction on the Independent Advisor’s behalf. Your Independent Advisor remains responsible for providing advice, monitoring your selected strategy, and recommending any changes to you throughout the duration of your relationship. KAI’s responsibility is to provide access to one or more TAMPs to implement the strategy chosen by you and your Independent Advisor. KAI does not advise you about potential changes to your strategy, and does not make investment decisions on behalf of your accounts, but may provide a portfolio or strategy that your Independent Advisor may use to invest your accounts. Your Independent Advisor is solely responsible for its investment advisory relationship with you in accordance with your investment advisory services agreement and your Independent Advisor’s disclosure documents. Your Independent Advisor is responsible for ensuring that it complies with all applicable statutes, regulations, and rules. Furthermore, your Independent Advisor is solely responsible for assessing whether any instructions provided to KAI or the TAMP/Program Manager regarding the selection of a model portfolio or strategy administered by or through KAI and the applicable TAMP/Program Manager, the purchase of a security, or the sale of a security meet the appropriate standards. In our role as a Sub-Manager to your Independent Advisor, KAI will not provide you with individualized investment advice or recommendations or review any advice or recommendation made to you by your Independent Advisor. KAI does not review your financial situation, risk tolerance, or investment objective information when implementing a strategy your Independent Advisor has selected. Your Independent Advisor may provide additional or other services to you, which are not described in this brochure. You should carefully review your Independent Advisor’s investment advisory services agreement and your Independent Advisor’s ADV Part 2A Brochure(s) for information regarding services provided by your Independent Advisor. Products available to Independent Advisors through KAI require discretionary authority to trade securities and/or other investment vehicles. These products include, and are not limited to, model portfolios managed by KAI or by another Sub-Manager or Model Provider administered through the applicable TAMP/Program Manager. If you are a client of an Independent Advisor and you have instructed your Independent Advisor to invest in one of these products, your Independent Advisor must have discretionary authority to conduct these transactions. In addition, your Independent Advisor must have discretionary authority sufficient to carry out transactions required to administer your account in accordance with your agreement with the Independent Advisor. These transactions include, but are not limited to, fee billing, trade correction, and other general account maintenance. Your Independent Advisor must delegate this authority to KAI so that we can administer your account per our agreement with your Independent Advisor. Otherwise, we will not execute trades on your account. Your Independent Advisor will execute trades through the relevant TAMP/Program Manager provided by KAI for use by your Independent Advisor. From time to time, your Independent Advisor, or Sub-Managers, and/or Model Providers available through the TAMP/Program Manager may add, remove, or change the composition and relative allocation of the individual securities or other investment vehicles within a model portfolio to maintain consistency with the stated discipline or strategy for the model portfolio (a “Rebalancing Event”). Rebalancing Events generally require the trading of such securities or other investment vehicles for all accounts invested in the model portfolio and do not constitute individual investment advice or a recommendation to you. Your Independent Advisor will utilize discretion, as described above, to administer a Rebalancing Event directly through the TAMP/Program Manager.

WRAP FEE PROGRAMS

A “wrap fee program” is an advisory program under which a specified fee or fees not based directly upon transactions in a Client account is charged for investment advisory services (which may include asset management or advice concerning the selection of other investment

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advisers) and the execution of Client transactions. KAI is not the portfolio manager and/or sponsor of a wrap fee program. However, in certain circumstances, your KAI IAR may negotiate with you to pay certain transaction costs as part of the overall advisory fee. In such cases, this presents a conflict of interest since your KAI IAR may have an incentive to trade your account less frequently to avoid incurring the transaction costs or to use a broker-dealer or custodian that charges lower transaction fees, although a more favorable transaction might be available through another broker-dealer or custodian. As described in the Item 13 Account Reviews section below, KAI conducts periodic supervisory reviews of advisory accounts for consistency with its fiduciary duties and best execution obligations.

In recognition of the additional costs and expenses your KAI IAR may incur on your behalf, you may pay a higher Negotiated Annual advisory fee. This fee may be higher than fees that could be obtained from other Investment advisers. Clients with less actively traded accounts may, therefore, benefit from paying the fees, costs, and expenses themselves and paying a lower overall Negotiated Annual advisory fee. All fees and costs, including transaction fees, administrative fees, and the like, will reduce your overall return on your investment. Third-party money managers or programs may offer wrap and/or non-wrap options.

You should carefully review all disclosures and account forms provided by KAI, any recommended brokers, dealers, custodians, clearing firms, or other applicable third parties, to fully understand the total fees you will pay in order to understand and evaluate the overall total cost if you elect to have your IAR cover certain transaction costs.

ASSETS UNDER MANAGEMENT

As of December 31, 2025, KAI managed \$5,124,376,732 in Client assets on a discretionary basis and \$1,155,283,830 on a non-discretionary basis.

ITEM 5: FEES AND COMPENSATION

ASSET MANAGEMENT FEES

KAI charges an annual fee based on a percentage of the market value of the assets being managed. The maximum annual fee will be 2.90% of the assets being managed by KAI and/or by a recommended TAMP. Fees may be calculated based on a flat percentage of the assets, a tiered schedule, or other break points, as agreed upon and set forth in the client agreement. TAMPs debit the advisory fee as agreed upon between the Client and the TAMP. The TAMP will share a portion of the fee with KAI. KAI does not determine the value of Clients' assets being managed. The account fee will be determined by the account balance as published by the relevant account custodian(s) and/or as listed on a national securities exchange or NASDAQ at the closing price, on the valuation date, on the principal market where the securities are traded. KAI will rely on the valuation by an independent third party for non-listed securities or where a published valuation is not readily available. Interest on any margin debt incurred by the Client is in addition to the account fee.

Asset management fees are negotiable depending on factors such as the amount, type, and complexity of the asset management services provided, the nature and complexity of the assets being managed, the complexity of your financial circumstances, as well as the level of administration requested either directly or assumed by the Client, among others. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion. Since this fee is negotiable, the exact fee paid by you will be clearly stated in the management agreement signed by you and us.

Asset management fees are billed quarterly or monthly in advance and are based on the value of your portfolio at the end of the prior billing cycle. Terms of payment are stated in the management agreement signed by you and us. If you provide written authorization to us, the advisory fee will be deducted from your account held with a non-affiliated, qualified custodian. The qualified custodian will provide you with an account statement at least quarterly. This statement will detail all account activity, including the advisory fees deducted from your account(s).

Additionally, where appropriate, fees may be prorated based on deposits or withdrawals during a billing cycle and, likewise, where appropriate, may be prorated or subject to refunds if any fees are paid in advance, based on the date of termination. The period for which the initial payment shall be due will run from the opening date through the last business day of the next full billing cycle and will be prorated accordingly. Thereafter, the fee will be based on the full billing cycle as specified in the account opening documents.

Our annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, custodial fees, postage fees, and other transactional and account-related costs and expenses. You are responsible for brokerage costs incurred unless we agree to bill only on the amount of the assets, whereby we cover any transaction costs, or your IAR negotiates with you to cover the ticket charges (Transaction Fees) in your account charged by the clearing firm. This presents a conflict of interest since your KAI IAR may have an incentive to trade your account less frequently to avoid incurring the transaction costs or to use a broker-dealer or custodian that charges lower transaction fees, although a more favorable transaction might be available through another broker-dealer or custodian. In recognition of the ticket charges or Asset-Based Pricing a client's Investment Adviser Representative may incur on a client's behalf, the client may pay a higher negotiated annual Advisory Fee. This Advisory Fee may be higher than fees that could be obtained at other investment advisers. Clients

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with less actively traded accounts may, therefore, benefit from paying the Advisory Fees, costs, and expenses themselves and paying a lower overall negotiated annual Advisory Fee.

As described in the Item 13 Account Reviews section below, KAI conducts periodic supervisory reviews of advisory accounts for consistency with its fiduciary duty obligations and best execution.

The investment management agreement between you and KAI will continue in effect until either party terminates the management agreement upon written notice in accordance with the terms of the investment management agreement. KAI's annual fee will be prorated through the date of termination. Any prepaid, unearned fees will be promptly refunded to the Client.

In some cases, KAI may provide research and/or monitoring of certain assets without providing any active management of such assets. In such cases, such assets will be designated as "Unmanaged Advised Assets" and will not be charged any advisory fees. Such Unmanaged Advised Assets will be designated in the management agreement.

Billing on Cash Positions

The firm treats cash and cash equivalents as an asset class. Accordingly, unless otherwise agreed in writing, all cash and cash equivalent positions (e.g., money market funds, etc.) are included as part of assets under management for purposes of calculating the firm's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there is no guarantee that such anticipated market conditions/events will occur), the firm may maintain cash and/or cash equivalent positions for defensive, liquidity, or other purposes. While assets are maintained in cash or cash equivalents, such amounts could miss market advances and, depending upon current yields, at any point in time, the firm's advisory fee could exceed the interest paid by the client's cash or cash equivalent positions.

Billing on Margin

Unless otherwise agreed in writing, the gross amount of assets in the client's account, including margin balances, is included as part of assets under management for purposes of calculating the firm's advisory fee. Clients should note that this practice will increase the total assets under management used to calculate advisory fees, which will, in turn, increase the amount of fees collected by our firm. This practice creates a conflict of interest in that our firm has an incentive to use margin in order to increase the amount of billable assets. At all times, the firm and its Associated Persons strive to uphold their fiduciary duty of fair dealing with clients. Clients are free to restrict the use of margin by our firm. However, clients should note that any restriction on the use of margin may negatively impact an account's performance in a rising market. Additionally, KSI has sharing arrangements with one or more executing brokers/custodians, such as NFS, whereby NFS will credit to KSI a substantial portion of the margin interest income NFS receives from KAI client margin debits. KSI's receipt of a substantial portion of the margin interest creates a conflict of interest because KSI, and therefore KAI, has a greater incentive to make margin available in your account because it provides additional compensation to KSI. No portion of the margin interest received by KSI is shared with your KAI investment adviser representative.

Periods of Portfolio Inactivity

The firm has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, the firm will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when the firm determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, unless otherwise agreed in writing, the firm's annual investment advisory fee will continue to apply during these periods, and there can be no assurance that investment decisions made by the firm will be profitable or equal any specific performance level(s).

Negotiability of Fees: We allow Associated Persons servicing the account to negotiate the exact investment management fees within the range disclosed in our Form ADV Part 2A Brochure. As a result, the Associated Person servicing your account may charge more or less for the same service than another Associated Person of our firm. Further, our annual investment management fee may be higher than that charged by other investment advisors offering similar services/programs.

THIRD-PARTY MONEY MANAGER FEES

The combined fee charged by KAI and the Third-Party Manager (TPMM) will not exceed 2.90%. Clients are hereby informed that a combined fee in excess of 2.90% of assets under management is in excess of industry norms, and similar advisory services can be obtained for less. Depending on the TPMM, Clients may or may not be able to negotiate the portion of the fee payable to the TPMM.

A portion of the advisory fees paid by the Client to KAI is remitted to the TPMM for their services. Because we share our advisory fee with the selected TPMM, we have a conflict of interest since we have a financial incentive to recommend TPMMs with whom we have more favorable compensation arrangements. Nevertheless, we mitigate this conflict since we are a fiduciary and are obligated to act in your best

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interests. We also have policies and procedures in place that require us to perform due diligence on TPMMs to ensure that we make every effort to recommend a TPMM that is appropriate for you based on the facts and circumstances you disclose to us, including, but not limited to, your risk tolerance, financial objectives, and financial circumstances.

Clients are encouraged to review the Disclosure Brochures of the TPMM and/or agreements with Custodians, as well as the new account documents provided by all parties, to ensure that they understand the total fee they will pay. The advisory fees payable to KAI and the TPMMs will be debited from the Client's account upon the Custodian's receipt of the invoice from KAI. If there is not adequate cash in the account to pay the advisory fees, it may be necessary to liquidate account assets to cover those expenses, which may result in a loss to the Client.

FEES FOR HELD-AWAY ASSETS

For held-away assets managed through Pontera, Pontera does not offer us the ability to deduct fees from the account. As such, fees for the management of held-away assets will either be paid directly by the client or deducted from another taxable account that we manage for the client at the qualified custodian(s) recommended by KAI.

FINANCIAL PLANNING FEES

Prior to engaging KAI to provide financial planning services, you will be required to enter into a written financial planning agreement with us. The financial planning agreement will set forth the terms and conditions of the engagement and will describe the scope of the services to be provided, and the agreed-upon, negotiable, estimated fee to be paid. In some cases, a portion of the estimated fee may be payable in advance, upon execution of the financial planning agreement, with the balance due upon presentation of the completed financial plan. Other fee payment arrangements may be negotiated on a case-by-case basis. All such arrangements will be clearly set forth in the financial planning agreement signed by you and us.

For an initial plan consultation, KAI will charge an hourly or a fixed fee that is calculated by multiplying our negotiable, maximum hourly rate of \$350 by the estimated amount of time needed to complete the financial planning project.

For investment advice on assets that are held away from KAI ("outside assets"), such as employer sponsored plans (e.g., 401k, 457, etc.), the fee will be determined as agreed upon, based on a percentage of the value of the advised assets, an agreed upon a fixed fee, or an hourly fee not to exceed \$350 per hour, as agreed upon and set forth in the financial planning agreement.

For an annual review and update of the Client's previously provided financial plan, we typically charge an hourly, negotiable, maximum hourly rate of \$350 plus out-of-pocket expenses (i.e., long-distance calls, overnight mailings, travel expenses). Prior to executing the financial planning agreement, the requested services will be assessed, and an estimate of the hours needed to complete the financial plan review and update will be set forth in the financial planning agreement.

If the Client requests an annual review and update of the plan, the fee will be based on the complexity of each year's review. The fee will be due and payable upon completion of the financial plan review and update, and will be in accordance with the agreed-upon fee schedule.

KAI does not permit the prepayment of over \$1,200, six or more months in advance.

Either party may terminate the financial planning agreement by written notice to the other. Any prepaid, unearned fees will be promptly refunded to the Client.

Financial planning services are generally separate and distinct from advisory asset management services and generally do not include the implementation of transactions on your behalf. You can engage your IAR to implement their recommendations, and your IAR will earn fees or commissions in addition to the fees charged for financial planning services. Since you may consider engaging your IAR for the implementation of their recommended strategies and products, your IAR has an incentive to recommend strategies and products that will result in additional fees or commissions.

INDEPENDENT ADVISOR FEES

If you are an investment advisory client of an Independent Advisor, investment advisory fees charged by your Independent Advisor are set forth in your Independent Advisor's Form ADV Part 2A, investment advisory services agreement, and/or fee schedule. If you participate in our Independent Advisor Program, KAI will deduct the Independent Advisor's advisory fees from your account. We will keep a portion of the fee charged to you by your Independent Advisor for the administrative services provided by KAI to your Independent Advisor to service your account(s). Independent Advisors that provide financial planning and consulting services may charge their fees for such services through your account in the Independent Advisor Program.

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ADDITIONAL FEES AND EXPENSES

The fees KAI charges may be negotiable based on the amount of assets under management, the complexity of Client goals and objectives, and the level of services rendered.

All fees paid to KAI for investment advisory services are separate and distinct from the fees and expenses charged to shareholders by mutual funds or exchange traded funds. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge.

You could invest in a mutual fund directly, without the services of KAI. In which case, you would not receive the services provided by KAI, which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate to your financial condition and objectives. Accordingly, you should review both the fees charged by the funds and the fees charged by KAI to fully understand the total amount of fees to be paid by you to evaluate the advisory services being provided.

COMPENSATION FOR THE SALE OF INVESTMENT PRODUCTS

Kovack Securities, Inc. ("KSI") is an introducing broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA"), affiliated with KAI through common control and ownership. Kovack Financial, LLC ("KFN") wholly owns both KSI and KAI. Brian Kovack is the CEO and a principal owner of KFN, and the President of KAI and KSI. Melinda Wolfe, Executive Vice President ("EVP") of KAI, is also the Chief Compliance Officer and EVP of KSI. As described in Item 10 Other Financial Industry Activities or Affiliations below, Associated Persons of our firm, including owners, officers, managers, and IARs, are Registered Representatives ("RRs") of KSI.

In their capacities as RRs, RRs receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these individuals in their capacities as RRs is separate and in addition to our advisory fees. This practice presents a conflict of interest because individuals providing investment advice on behalf of our firm who are RRs have an incentive to effect securities transactions to generate commissions rather than solely based on your needs.

Insurance Products

Additionally, certain owners, officers, managers, IARs, and RRs associated with KAI and/or KSI are licensed as independent insurance agents. These individuals will earn commission-based compensation for selling insurance products, including insurance products they sell to our clients. Insurance commissions earned by these individuals are separate from and in addition to our advisory fees. The sale of insurance instruments and other commissionable products offered by individuals associated with KAI and KSI is intended to complement our advisory services. However, this practice presents a conflict of interest because individuals providing investment advice on behalf of our firm who are insurance agents may have an incentive to recommend insurance products to you for the purpose of generating commissions rather than making such recommendations based solely on your needs. We address this conflict of interest by recommending insurance products only where we, in good faith, believe that it is appropriate for the client's particular needs and circumstances, and only after a full presentation of the recommended insurance product to our client. In addition, our IARs understand their fiduciary obligations to advisory clients, so we explain the insurance underwriting process to our clients to illustrate how the insurer also reviews the client's application and disclosures prior to the issuance of a resulting insuring agreement. Clients of our firm are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Where fixed annuities are sold, clients should also note that the annuity sales result in substantial up-front commissions and ongoing trails based on the annuity's total value. In addition, many annuities contain surrender charges and/or restrictions on access to your funds. Payments and withdrawals can have tax consequences. Optional lifetime income benefit riders are used to calculate lifetime payments only and are not available for cash surrender or in a death benefit unless specified in the annuity contract. In some annuity products, fees can apply when using an income rider. Annuity guarantees are based on the financial strength and claims-paying ability of the issuing insurance company. We urge our clients to read all insurance contract disclosures carefully before making a purchase decision. Rates and returns mentioned on any program presented are subject to change without notice. Insurance products are subject to fees and additional expenses.

OTHER FEES AND EXPENSES

Some recommended custodians charge additional charges or transactional fees, foreign transaction costs charged by the executing broker-dealer, or step-out/trade-away fees charged by a prime broker for certain transactions, which would be paid by the Client.

For Clients investing in mutual funds, KAI requires that Clients purchase the share class most beneficial to the Client, generally the institutional or advisory share class. In some cases, these share classes are not made available by the sponsor fund. Here, KAI will direct the IAR to seek a comparable, similar mutual fund that provides an advisory share class, and offer the fund and share class to the Client.

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If no comparable fund with an advisory share class is available, the Client may pay higher fees that include 12b-1 fees. KAI will refund the Client 12b-1 fees received, but this share class may still have higher costs to the Client.

Class A shares that transfer into Client accounts are periodically converted to the advisory or institutional share class. The firm requires advisory or institutional share classes in accounts and does not permit purchases of Class A, B, or C shares in advisory accounts unless there is no advisory share class available and no similar mutual fund with an advisory share class. Although we anticipate that this would occur infrequently, the purchase would be made at Net Asset Value ("NAV") or the commission would be credited to the Client.

Certain open-end, closed-end, and exchange-traded funds ("fund" or "funds") that may be acquired in the Client's account may assess other internal expenses, such as 12b-1 fees or "trails," administrative fees, and "other expenses" in addition to assessing management fees. The nature and amount of this additional compensation are usually determined by the type of "share class" of each mutual fund that is purchased. Additionally, issuers of securities may pay concession fees on new issues or may provide other forms of compensation to KSI or to IARs who are dually registered as RRs of KSI. To the extent that KAI, KSI, and/or its dually registered IARs/RRs might receive 12b-1 fees, trails, concessions, or other compensation from funds or issuers of securities acquired in Client's account, Client will receive a credit to the account in an amount equal to such fees received from the funds or issuer. 12b-1 fees and trails are generally included in the calculation of operating expenses of a fund and are disclosed in the fund prospectus. In addition, KAI or KSI may enter into arrangements with funds or their affiliates in connection with the sale and/or maintenance of assets in certain funds that result in additional direct or indirect compensation being received by KAI, KSI, and/or its dually registered IARs/RRs. These additional arrangements create a conflict of interest in that KAI, KSI, and/or its dually registered IARs/RRs have a financial incentive to recommend buying and/or holding certain funds or securities over other funds or securities and in some instances might select or recommend, mutual fund investments in share classes that pay 12b-1 fees when Clients are eligible to purchase share classes of the same funds that do not pay such fees and are less expensive.

The additional financial arrangements may not necessarily be reflected in a fund's expenses and may be paid solely out of the assets of an affiliate of the fund. The Client should understand that the annual advisory fee charged to the account is in addition to the management fees and operating expenses charged by open-end, closed-end, and exchange-traded funds. To the extent that the Client intends to hold fund shares for an extended period of time, these internal fund expenses should be added to the annual advisory fee when evaluating the total costs of a KAI account. Furthermore, certain mutual fund families impose short-term trading charges (typically 1% to 2% of the original amount invested), which may not be waived for fee-based accounts.

In addition to advisory fees charged by KAI, TAMPs, TPMMs, and/or Independent Advisors, Client shall also incur, relative to certain mutual fund and exchange traded fund ("ETF") purchases, charges imposed directly at the mutual fund or ETF level (e.g., advisory fees and other fund expenses).

Client may incur other charges imposed by unaffiliated third parties and/or KAI's affiliates including, but not limited to (i) any dealer markups and odd-lot differentials, SEC imposed fees, and transfer taxes; (ii) charges imposed by broker-dealers and custodians other than clearing agent and its affiliates and fees for other products and services that KAI and its affiliates may offer; (iii) offering discounts and related fees in connection with an underwritten public offering of securities; (iv) margin interest (see "Billing on Margin" above in this section) and operation fees and charges; (v) custodial and other IRA fees; and (vi) any redemption fees, exchange fees or similar fees imposed in connection with certain mutual fund transactions. Client is directed to the Custodian's account opening documents and/or information package provided by the broker-dealer/custodian and/or made available on the broker-dealer/custodian's website for specific information regarding the exact nature and amount of such additional fees and costs. The Client is encouraged to speak with their KAI IAR for more information.

ERISA Plans: With ERISA Clients, KAI may be subject to certain conflicts of interest—specifically, receiving additional compensation from third parties (such as 12b-1 fees, sub-transfer agent fees, and revenue sharing payments), and providing marketing, recordkeeping, or other services in connection with certain investments. KAI adopted these policies and procedures, designed to ensure compliance with the prohibited transaction rules under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. KAI addresses the potential conflict of interest of advisors who receive compensation for services provided to ERISA plans with the following steps:

- The IAR negotiates the compensation with ERISA plan sponsors or participants. The compensation is either an annual fee for ongoing services based on a percentage of assets under management, a flat fee, or an hourly rate.
- To the extent that an IAR receives additional compensation from a third party, the IAR must report it to KAI to enable the additional compensation to be offset against the fees that the ERISA Clients would otherwise pay for the advisor representative's services.
- KAI has supervisory measures in place to oversee that the IAR's advice or management of assets at any time or for any reason is not based on any compensation that KAI or the IAR might receive from third parties. KAI does not allow IARs to provide advice or manage assets for ERISA Clients if they have conflicts of interest that KAI believes are prohibited by ERISA.

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Since KAI and its IARs may be considered covered service providers, KAI and its IARs will disclose direct compensation received from ERISA Clients.

KAI will make these fee disclosures before entering into, renewing, or extending the advisory services with the ERISA Client.

IRA Rollover Considerations

As a normal extension of financial advice, we provide education or recommendations related to the rollover of an employer-sponsored retirement plan. A plan participant leaving employment has several options. Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the investor's unique financial needs and retirement plans. The complexity of these choices may lead an investor to seek assistance from us.

An Associated Person who recommends an investor roll over plan assets into an Individual Retirement Account ("IRA") may earn an asset-based fee as a result, but no compensation if assets are retained in the plan. Thus, we have an economic incentive to encourage an investor to roll plan assets into an IRA. In most cases, fees and expenses will increase for the investor as a result because the above-described fees will apply to assets rolled over to an IRA, and the outlined ongoing services will be extended to these assets.

We are fiduciaries under the Investment Advisers Act of 1940. We have to act in your best interests and not put our interests ahead of your interests. At the same time, the way we make money creates some conflicts with your interests.

ADDITIONAL COMPENSATION

KSI receives a portion of the costs charged to clients for various brokerage and custodial services performed by Pershing, NFS, or IWS, including but not limited to placing transactions, ticket charges, custodial fees, execution fees, interest charges (see "Billing on Margin" above in this section), annual maintenance fees, and asset transfer fees. Thus, we have an incentive to recommend that you hold your account at one of our custodians (i.e., Pershing, NFS, and/or IWS), as KSI (our affiliated broker-dealer) will receive a portion of the costs charged to you. It should be noted that IARs are not paid any portion of this revenue received by us, other than possible ticket charge reductions or waivers, and do not receive any additional fee incentives to open and trade accounts at Pershing, NFS, and/or IWS. However, if you select the account option wherein your account management fee includes ticket charges, your IAR has an incentive to recommend and utilize custodians where the ticket charges are lower. You are under no obligation to use any of the custodians that we recommend, and comparable custodial services may be available elsewhere for lower costs.

Independent, third-party mutual fund money managers may purchase No Transaction Fee Class A shares. You will not pay a transaction cost, but in some cases, you will pay 12b-1 fees for as long as you hold the shares. KAI does not receive any portion of these 12b-1 fees. However, KAI receives revenue from these mutual fund managers and therefore has an incentive to recommend them to you. Other third-party mutual fund managers may use mutual funds that do not pay 12b-1 fees or transaction costs, or mutual funds that pay transaction costs but no 12b-1 fees. You are under no obligation to use the services of any third-party mutual fund money manager that we recommend.

KAI, an individual IAR, or a branch office, may receive preferential pricing and/or other cost reductions, preferential servicing and/or accommodations, marketing assistance, or other benefits from independent, third-party programs, and account custodians and their respective clearing firms. This presents a conflict of interest because KAI, the branch, or IAR, is therefore incentivized to recommend the third-party program(s), and/or account custodian(s), and clearing firms to you to receive the pricing discount, other cost reductions, preferential service, lower account minimums, special account accommodations, or other benefits. Such benefits may or may not benefit the Client; they may only benefit KAI, KSI, and/or the IAR. Our IARs negotiate the fees charged to you, within the firm's parameters, and you may or may not receive the savings of the lower branch or IAR costs. Ask your IAR if their branch receives any such discounts and if the discount is applied to your account. Additionally, since IARs/branches are permitted to select among KAI's approved third parties and custodians, some Clients may pay different costs than other Clients. Where KAI and/or individual IARs utilize the services of various third parties for their proprietary accounts and/or personal accounts, they may receive discounted rates not available to Clients. You are under no obligation to accept the recommendations of your IAR, and lower fees and/or comparable services may be available elsewhere.

FORGIVABLE LOANS and OTHER INCENTIVES

KAI has established a forgivable loan (the "Forgivable Loan") with certain of our IARs, some of whom are also licensed registered representatives of KSI. This constitutes an additional economic benefit. The terms of the Forgivable Loan require these IARs to remain affiliated with KAI and/or KSI for a specified period of time in order to qualify for loan forgiveness; otherwise, the loan must be repaid in accordance with the terms of the loan. The Forgivable Loan incentivizes such IARs to remain affiliated with KAI and/or KSI; thereby directing clients to utilize the advisory services offered through KAI and/or the brokerage services offered through KSI, even though comparable services may be available through other similar firms for lower fees. The receipt of the Forgivable Loan, therefore, presents a conflict of interest because these IARs are incentivized to recommend that clients utilize the services of KAI and/or KSI due to their ongoing

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affiliation, rather than basing recommendations on a client's particular needs. Clients are therefore reminded that they are not under any obligation to purchase advisory services through KAI or commission-based investment products through KSI and that they may not purchase such services and products through other, non-affiliated investment advisers and/or broker-dealers. The terms of the loan vary and are negotiated individually with the IAR on a case-by-case basis, taking into consideration the anticipated assets under management, commissions, and expenses associated with bringing clients to KAI and/or KSI. Forgiveness of the loan, in whole or in part, is conditioned on the IAR remaining affiliated with KAI and/or KSI, as well as the amount of business the IAR engages in through KAI and/or KSI, including, but not limited to, the amount of client assets under management at KAI or commissions generated for KSI. For information on loans received by specific IARs, please see Item 5 of the relevant IAR's Form ADV Part 2B brochure supplement for detailed information regarding the IAR's receipt of any additional compensation, including any forgivable loan(s), and related conflicts of interest.

KAI may offer reduced platform costs and clearing firm costs to different Investment Adviser Representatives (IARs). Some IARs may receive lower platform fees or clearing firm costs, which reduces their overall cost. These reductions depend on factors such as the IAR's agreement with KAI, the types of accounts they manage, asset amounts, or other specific circumstances. These reduced costs are directly tied to advisor compensation and could create a conflict of interest. In addition, IARs or their branches are permitted to negotiate fees with clients within KAI's established parameters. Therefore, some Clients may pay higher or lower fees than other Clients for similar services, and IARs have a conflict of interest because they have an inherent financial incentive based on their specific payment arrangements with KAI when negotiating fees with Clients.

CORE ACCOUNT SWEEP PROGRAM

Kovack Securities, Inc. ("KSI") and Kovack Advisors, Inc ("KAI") (collectively referred to as "we," "our," or "us") are making important changes to the investments that we offer for the core account investment vehicle, or "sweep", of available cash balances in your Brokerage/Advisory Account held with National Financial Services LLC ("NFS"). On or shortly after February 19, 2026 (the "Effective Date"), we will no longer offer your current core account investment vehicle in your Brokerage/Advisory Account. Beginning on the Effective Date, we will change the core account investment vehicle used by your Brokerage/Advisory Account to the Bank Deposit Sweep Program ("BDSP" or "Program") and available cash balances will be transferred to the BDSP and swept through the BDSP service into interest-bearing deposit accounts (the "Deposit Accounts") at one or more banks (each, a "Bank" or "Program Bank") and your current core account investment vehicle will not accept any new monies. All debits created on or after the Effective Date, including securities purchases and charges, will be satisfied by deposits from the Program swept to your Brokerage/Advisory accounts. Similarly, all credits created on or after the Effective Date by deposits, sales, interest, and dividends will be swept into the Program. You do not need to take any action or provide your affirmative consent for these changes to your sweep to take effect on the Effective Date. You may, however, contact your Investment Representative by no later than February 16, 2026, to understand available alternatives to the BDSP. Beginning on the Effective Date, KSI/KAI will designate the BDSP as the default and only core account investment vehicle for use by KSI/KAI accounts held with NFS that are eligible to participate in the Program. As such, the BDSP will be the default and only core account investment vehicle available for use by eligible Brokerage/Advisory Accounts opened on or after the Effective Date, and existing Brokerage/Advisory Accounts' ability to change their current core account investment vehicle selections on or after the Effective Date will be limited to the BDSP. You will continue to have the ability to purchase money market mutual funds and other investment options that we make available to you outside of the Program.

The Program creates financial benefits for us and/or our affiliates, NFS, and certain third-party Program service providers. Financial benefits include the payment of compensation to us, NFS, and third-party Program service providers that result from your use of the Program. These financial benefits incentivize us to make the Program the default and only cash sweep available for your Program-eligible Brokerage/Advisory accounts, rather than a different cash sweep that does not entail such financial benefits to us or entails lesser financial benefits to us. This incentive results in a conflict of interest between you and us. Cash balances in your account generate fees for us, NFS, and third-party Program service providers. Therefore, we have a conflict of interest and an incentive to enroll persons in the Program and recommend you maintain cash in your account, which will be included in the Program, and increase compensation to us. We address this conflict by disclosing it to you, not sharing any compensation we receive from the Program with your Investment Representative, and making other non-sweep investment options available to you, such as Money Funds. We and/or our affiliates, and NFS and certain third-party Program service providers are paid a fee for administering the Program (collectively, the "Program Fee"). The Program Fee is calculated by multiplying the cash deposits held at a Program Bank by the overall bank rate for that Program Bank and then subtracting total interest paid to you (based on the interest rate) on cash deposits held in the Program. This calculation could create an incentive to pay a lower interest rate in order to maximize the Program Fee. Since we set and calculate the interest rate in connection with the Program, this discretion creates a conflict between our interests and your interests because the determination of our share of the interest paid by the Program Banks that we retain as compensation directly affects and reduces the interest you earn on your cash deposits held in the Program. Both we and NFS may receive more revenue with respect to amounts in the Program than with respect to other sweep products. For additional information regarding this Program, please see Item 14 below in this Brochure. Additionally, as noted above in this section, cash and cash equivalents are included in the calculation of our advisory fees. Billing on cash positions that exceed 20% for more than 90 consecutive days will cease as of the last day of the relevant billing period, unless an exception is granted.

Note: The BDSP only applies to Client accounts held at NFS.

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ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Performance-based fees are fees that are based on a share of capital gains or appreciation of the assets of a Client. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. The fees paid to KAI are calculated as described above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory Client (15 U.S.C. §80b-5(a)(1)).

KAI does not directly charge performance-based fees or participate in side-by-side management. However, some selected TPMMs may charge performance-based fees to certain qualified Clients and may participate in side-by-side management. Please carefully review the disclosures provided by the relevant TPMM for information regarding such practices. Where KAI selects a TPMM that charges performance-based fees, it does NOT share in the performance-based compensation paid to the selected TPMM. Where KAI acts as a paying agent for selected TPMMs, the TPMM will send KAI an invoice showing the calculation of the fee, KAI will verify the amount, and then send the account custodian instructions to debit the performance-based fee from the relevant Client account on behalf of the recommended TPMM.

ITEM 7: TYPES OF CLIENTS

KAI generally provides investment advice to the following types of Clients:

- Individuals
- High net worth individuals
- Bank or thrift institutions
- Pension and profit-sharing plans
- Charitable organizations
- Corporations or other businesses

KAI generally has account minimums, depending on the account option selected. Household accounts can be aggregated to meet minimums, and the minimums can be waived. Minimums generally range from \$10,000 to \$100,000. TAMP, TPMM, and Independent Advisor accounts may have different minimums. Please review the relevant third party's disclosure documents and/or account agreements provided for information regarding account minimums.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investing in securities involves a risk of loss that you should be prepared to bear. We do not represent, warrant, or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

KAI employs a wide range of methods to manage portfolios and evaluate investments, and uses research when making investment decisions. KAI's methods of analysis and investment strategies incorporate the Client's financial needs and investment objectives, time horizon, and risk tolerance. KAI is not bound to a specific investment strategy for the management of investment portfolios and instead considers the risk tolerance levels determined at the account opening, as well as monitoring risk tolerance on an ongoing basis. Examples of methodologies that KAI's investment strategies may incorporate include:

- **Asset Allocation:** Asset Allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk.
- **Dollar-Cost Averaging:** Dollar-cost averaging is the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This will gradually, over time, decrease the average share price of the security. Dollar-cost averaging lessens the risk of investing a large amount in a single investment at the wrong time.
- **Technical Analysis:** Involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- **Long-Term Purchases:** Securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

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- **Short-Term Purchases:** Securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Strategies and investments may have unique and significant tax implications. Regardless of account size or other factors, the firm strongly recommends continuous consultation with a tax professional prior to investing and throughout investing.

Investing in securities involves a risk of loss that Clients should be prepared to bear. Although KAI manages Client portfolios with strategies and in a manner consistent with risk tolerances, there can be no guarantee that the firm's efforts will be successful. A Client may lose all or some of their investment.

All investments involve the risk of loss, including, but not limited to, loss of principal, loss of earnings (including interest, dividends, and other distributions), and loss of other opportunities. These risks include market risk, interest rate risk, issuer risk, political risk, and general economic risk. Regardless of the methods of analysis or strategies suggested for particular investment goals, risks that may be associated with each investment or strategy should be carefully considered.

KAI believes in diversified asset class exposure obtained primarily through a diversified mix of securities in various asset classes, such as:

- Mutual Funds
- ETFs
- U.S. Stocks (Small-, Mid- or Large-Capitalization)
- Foreign Stocks, including Emerging Markets
- Investment Grade Fixed Income Securities
- Non-Investment Grade Fixed Income Securities
- Tax-Exempt Municipal Bonds
- U.S. Government and Government Agency Securities
- Derivatives
- Real Estate Investment Trusts (Domestic and Foreign)
- Business Development Companies, among others

SOURCES OF INFORMATION

The main sources of information utilized by KAI in making its investment decisions are financial publications, research materials, corporate rating services, annual reports, prospectuses, and other SEC filings. KAI also conducts its own due diligence of independent TPAMs and TPMs that the firm approves for its IARs to recommend to Clients. Through these sources and the Client's goals and objectives, KAI will determine what type of investments and investment strategies to recommend to Clients.

PRINCIPAL INVESTMENT STRATEGIES

KAI typically recommends mutual funds and ETFs to implement its recommended investment strategies. However, KAI also may recommend exchange-listed stocks, investment-grade corporate bonds, and other debt securities, municipal securities, U.S. Government securities, or alternative investments, depending upon the particular Client's financial profile and investment objectives.

KAI may give advice and take action with respect to Clients that is different from the advice, timing, and nature of action taken with respect to other Clients. Timing, allocation, and types of investments are determined as part of each Client's overall financial strategy.

PRINCIPAL RISKS

Investing in securities involves a risk of loss that Clients should be prepared to bear. Although Client portfolios are managed with strategies and in a manner consistent with risk tolerances, there can be no guarantee that the firm's efforts will be successful. A Client may lose all or some of their investment. All investments involve the risk of loss, including, but not limited to, loss of principal, loss of earnings (including interest, dividends, and other distributions), and loss of other opportunities. Regardless of the methods of analysis or strategies suggested for particular investment goals, risks that may be associated with each investment or strategy should be carefully considered. Below is a non-inclusive explanation of the risks Clients may face:

Market Risk. The prices of securities in which Clients invest may decline in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by the Client or an underlying fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate, and commodity price fluctuations. Investors should have a long-term perspective and be able to tolerate potentially sharp declines in market value.

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Management Risk. KAI's investment approach may fail to produce the intended results. If the firm's perception of the performance of a specific asset class or underlying fund is not realized in the expected time frame, the overall performance of the Client's portfolio may suffer.

Equity Risk. Equity securities tend to be more volatile than other investment choices. The value of an individual mutual fund or ETF can be more volatile than the market as a whole. This volatility affects the value of the Client's overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.

Fixed Income Risk. The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.

Municipal Securities Risk. The value of municipal obligations can fluctuate over time and may be affected by adverse political, legislative, and tax changes, as well as by financial developments that affect municipal issuers. Because many municipal obligations are issued to finance similar projects by municipalities (e.g., housing, healthcare, water and sewer projects, etc.), conditions in the sector related to the project can affect the overall municipal market. Payment of municipal obligations may depend on an issuer's general unrestricted revenues, revenue generated by a specific project, the operator of the project, or government appropriation or aid. There is a greater risk if investors can look only at the revenue generated by the project. In addition, municipal bonds are generally traded in the "over-the-counter" market among dealers and other large institutional investors. From time to time, liquidity in the municipal bond market (the ability to buy and sell bonds readily) may be reduced in response to overall economic conditions and credit tightening.

Investment Company and ETF Risk. When a Client invests in open-end mutual funds or ETFs, the Client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the Client will incur higher expenses, many of which may be duplicative. In addition, the Client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. KAI has no control over the risks taken by the underlying funds.

Risks Associated with Investing in Buffer ETFs. Buffer ETFs are also known as defined-outcome ETFs since the ETF is designed to offer downside protection for a specified period of time. These ETFs are modeled after options-based structured notes, but are generally cheaper and offer more liquidity. Buffer ETFs are designed to safeguard against market downturns by employing complex options strategies. Buffer ETFs typically charge higher management fees that are considerably more than the index funds whose performance they attempt to track. Additionally, because buffer funds own options, they do not receive dividends from their equity holdings. Both factors result in the underperformance of the Buffer ETFs compared to the index they attempt to track. Clients should carefully read the prospectus for a buffer ETF to fully understand the cost structures, risks, and features of these complex products.

Derivatives Risk. Funds in a Client's portfolio may use derivative instruments. The value of these derivative instruments derives from the value of an underlying asset, currency, or index. Derivative investments by mutual funds or ETFs in which the Client invests involve the risk that the value of the underlying fund's derivatives may rise or fall more rapidly than other investments, and the risk that it may lose more than the amount that it invested in the derivative instrument itself. Derivative instruments also involve the risk that other parties to the derivative contract may fail to meet their obligations, which could cause losses.

Foreign Securities Risk. Funds in which Clients invest may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risks, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations, and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets, and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

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Structured Products Risk. Certain Advisory Representatives may recommend that clients invest in, or allocate assets among, various structured products, which are generally unsecured debt obligations of the companies that issue them (each, an “issuer”). As such, any payment on a structured product, including any repayment of principal, is subject to the creditworthiness of the issuer. Structured products may not be suitable for all clients. Investing in structured products involves the use of derivatives and a higher degree of risk factors substantially different than those associated with other traditional investments, including risk of adverse or unanticipated market developments, issuer credit quality risk, risk of counterparty or issuer default, risk of lack of uniform standard pricing, risk of adverse events involving any underlying reference obligations, entity, or other measures, risk of high volatility, and risk of illiquidity. The return on a structured product, including the amount paid at maturity, if any, is linked to the performance of an underlying asset (e.g., single stocks, indices, currencies, commodities, or interest rates) and thus exposed to market and other risks related to the underlying asset(s). Therefore, it is possible that the return may be zero or significantly less than what investors could have earned on an ordinary, interest-bearing debt security. Past performance of an underlying asset class is not indicative of the profit and loss potential on any particular structured product. The value of the underlying assets can experience significant periods of fluctuation and prolonged periods of underperformance. Structured products are not FDIC insured and are not listed on any securities exchange. There may be little or no secondary market for a structured product, and information regarding independent market pricing for a structured product may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. The price, if any, at which structured products can be purchased in secondary market transactions, if at all, will likely be lower than the original issue price, and any sale prior to the maturity date could result in a substantial loss. Structured products are not designed to be short-term trading instruments; clients who purchase structured products should be willing to hold them until maturity. The tax treatment of a structured product may be very different than that of a traditional investment or the underlying asset, and significant aspects of the tax treatment of a structured product may be uncertain. It is important that, before investing in a structured product, investors should review the accompanying prospectus and prospectus supplement to understand the actual terms of the risks associated with specific structured products. In certain transactions, investors may lose their entire investment, i.e., incur an unlimited loss.

Below are some specific risks related to the structured notes recommended by our firm:

- **Complexity:** Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation may include leverage multiplied by the performance of the reference asset or index, and protection from losses should the reference asset or index produce negative returns, and/or fees. Structured notes may have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk, and potential for growth through the term of the structured note. Determining the performance of each note can be complex, and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with our firm.
- **Market risk.** Some structured notes provide for the repayment of principal at maturity, which is often referred to as “principal protection.” This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some or all of their principal. Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, and/or market volatility.
- **Issuance price and note value:** The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now generally disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the notes to investors because issuers include the costs for selling, structuring, and/or hedging the exposure on the notes in the initial price of their notes. After issuance, structured notes may not be resold on a daily basis and thus may be difficult to value given their complexity.
- **Liquidity:** The ability to trade or sell structured notes in a secondary market is often very limited, as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on securities exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date or risk selling the note at a discount to its value at the time of sale.
- **Credit risk:** Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors may lose some or all of the principal amount they invested in the structured notes, as well as any other payments that may be due on the structured notes.

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Inverse Fund Risk. Inverse mutual funds, which are sometimes referred to as "short" funds, seek to provide the opposite of the single-day performance of the index or benchmark they track. Inverse funds are often marketed as a way to profit from, or hedge exposure to, downward-moving markets. Some inverse funds also use leverage, such that they seek to achieve a return that is a multiple of the opposite performance of the underlying index or benchmark (i.e., -200%, -300%). In addition to leverage, these funds may also use derivative instruments to accomplish their objectives. As such, inverse funds are highly volatile and provide the potential for significant losses.

Leveraged and Inverse ETF Risk. A leveraged ETF generally seeks to deliver multiples of the daily performance of the index or benchmark that it tracks. An inverse ETF generally seeks to deliver the opposite of the daily performance of the index or benchmark that it tracks. Inverse ETFs are often marketed as a way for investors to profit from, or at least hedge their exposure to, downward-moving markets. Some ETFs are both inverse and leveraged, meaning that they seek a return that is a multiple of the inverse performance of the underlying index. To accomplish their objectives, leveraged and inverse ETFs use a range of investment strategies, including swaps, futures contracts, and other derivative instruments. Leveraged, inverse, and leveraged inverse ETFs are more volatile and riskier than traditional ETFs due to their exposure to leverage and derivatives, particularly total return swaps and futures. Though not part of our core strategy, some accounts may hold leveraged and/or inverse ETFs, which may amplify gains and losses.

Most leveraged ETFs are typically designed to achieve their desired exposure on a daily (in a few cases, monthly) basis and reset their leverage daily. A "single day" is measured from the time the leveraged ETF calculates its net asset value ("NAV") to the time of the leveraged ETF's next NAV calculation. The return of the leveraged ETF for periods longer than a single day will be the result of each day's returns compounded over the period. Due to the effect of this mathematical compounding, their performance over longer periods of time can differ significantly from the performance (or inverse performance) of their underlying index or benchmark during the same period of time. For periods longer than a single day, the leveraged ETF will lose money when the level of the Index is flat, and it is possible that the leveraged ETF will lose money even if the level of the Index rises. Longer holding periods, higher index volatility, and greater leverage all exacerbate the impact of compounding on an investor's returns. During periods of higher Index volatility, the volatility of the Index may affect the leveraged ETF's return as much as or more than the return of the Index itself. Therefore, holding leveraged, inverse, and leveraged inverse ETFs for longer periods of time increases their risk due to the effects of compounding and the inherent difficulty in market timing. Leveraged ETFs are riskier than similarly benchmarked ETFs that do not use leverage. Non-traditional ETFs are volatile and not suitable for all investors. Positions in nontraditional ETFs should be monitored closely due to their volatile nature and inability to track the underlying index over an extended period of time.

Environmental, Social, and Governance Investment Criteria Risks. If a portfolio is subject to certain environmental, social, and governance (ESG) investment criteria, it may avoid purchasing certain securities for ESG reasons when it is otherwise economically advantageous to purchase those securities, or may sell certain securities for ESG reasons when it is otherwise economically advantageous to hold those securities. In general, the application of the portfolio's ESG investment criteria may affect the portfolio's exposure to certain issuers, industries, sectors, and geographic areas, which may affect the financial performance of the portfolio, positively or negatively, depending on whether these issuers, industries, sectors, or geographic areas are in or out of favor. An adviser can vary materially from other advisers with respect to its methodology for constructing ESG portfolios or screens, including with respect to the factors and data that it collects and evaluates as part of its process. As a result, an adviser's ESG portfolio or screen may materially differ from or contradict the conclusions reached by other ESG advisers concerning the same issuers. Further, ESG criteria are dependent on data and are subject to the risk that such data reported by issuers or received from third-party sources may be subjective, or it may be objective in principle but not verified or reliable.

Concentrated Position Risk: Certain Associated Persons may recommend that clients concentrate account assets in an industry or economic sector. In addition to the potential concentration of accounts in one or more sectors, certain accounts may, or may be advised to, hold concentrated positions in specific securities. Therefore, at times, an account may, or may be advised to, hold a relatively small number of securities positions, each representing a relatively large portion of assets in the account. As a result, the account will be subject to greater volatility than a more sector-diversified portfolio. Investments in issuers within an industry or economic sector that experiences adverse economic, business, political conditions, or other concerns will impact the value of such a portfolio more than if the portfolio's investments were not so concentrated. A change in the value of a single investment within the portfolio will affect the overall value of the portfolio and will cause greater losses than it would in a portfolio that holds more diversified investments.

Cybersecurity Risks: Our firm and our service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyberattacks are deliberate; however, unintentional events may have similar effects. Cyber-attacks may cause losses to clients by interfering with the processing of transactions, affecting the ability to calculate net asset value, or impeding or sabotaging trading. Clients may also incur substantial costs as a result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and

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proprietary information. Any such breach could expose our firm to civil liability as well as regulatory inquiry and/or action. In addition, clients could be exposed to additional losses as a result of the unauthorized use of their personal information. While our firm has established a business continuity plan and systems designed to prevent cyberattacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cybersecurity risks are also present for issuers of securities, investment companies, and other investment advisers in which we invest, which could result in material adverse consequences for such entities.

Artificial Intelligence ("AI") Risk: We may rely on programs and systems that utilize AI, machine learning, probabilistic modeling, and other data science technologies ("AI Tools") when delivering our services, marketing, and other communications. AI Tools are also used to record and transcribe client meetings. Clients should note that AI Tools are highly complex, and are known to have been flawed, hallucinate, reflect biases included in the data on which such tools are trained, be of poor quality, or be otherwise harmful. AI Tools present Cybersecurity Risk. The U.S. and global legal and regulatory environment relating to the use of AI Tools is uncertain and rapidly evolving, and could require changes in the firm's implementation of AI Tools and increase compliance costs and the risk of non-compliance. Further, the firm may rely on AI Tools developed by third parties, and the firm has limited control over the accuracy and completeness of such AI Tools. Clients who do not want us to record their meetings have the option to opt out at the time of the meeting.

Selection or Recommendation of Other Advisers: In the event that we select a Third-Party Money Manager (TPMM) to manage all or a portion of your assets, we will advise you on how to allocate your assets among various classes of securities and/or TPMMs. We may also recommend various Third-Party Asset Manager Programs (TAMPs) or managed model portfolios. As such, we will primarily rely on investment model portfolios and strategies developed by TPMMs, TAMPs, and their portfolio managers. If there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark, we may change or select or recommend a different model, TPMM, or recommend a different TAMP. The primary risk associated with investing with a third party is that while a particular third party may have demonstrated a certain level of success in the past, it may not be able to replicate that success in future markets. In addition, as we do not control the underlying investments in third-party model portfolios, there is also a risk that a third party may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. To mitigate this risk, we seek third parties with proven track records that have demonstrated a consistent level of performance and success over time. A third party's past performance is not a guarantee of future results, and certain market and economic risks exist that may adversely affect an account's performance, which could result in capital losses in your account. Please refer to the relevant third party's advisory agreements, Form ADV Brochure, and associated disclosure documents for details on their specific investment strategies, methods of analysis, and associated risks.

Preferred Securities Risk: Preferred Securities have similar characteristics to bonds in that preferred securities are designed to make fixed payments based on a percentage of their par value and are senior to common stock. Like bonds, the market value of preferred securities is sensitive to changes in interest rates as well as changes in issuer credit quality. Preferred securities, however, are junior to bonds with regard to the distribution of corporate earnings and liquidation in the event of bankruptcy. Preferred securities that are in the form of preferred stock also differ from bonds in that dividends on the preferred stock must be declared by the issuer's board of directors, whereas interest payments on bonds generally do not require action by the issuer's board of directors, and bondholders generally have protections that preferred stockholders do not have, such as indentures that are designed to guarantee payments – subject to the credit quality of the issuer – with terms and conditions for the benefit of bondholders. In contrast, preferred stocks generally pay dividends, not interest payments, which can be deferred or stopped in the event of credit stress without triggering bankruptcy or default. Another difference is that preferred dividends are paid from the issuer's after-tax profits, while bond interest is paid before taxes.

Pandemic Risk: Large-scale outbreaks of infectious disease can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption. It is difficult to predict the long-term impact of such events because they are dependent on a variety of factors, including the global response of regulators and governments to address and mitigate the worldwide effects of such events. Workforce reductions, travel restrictions, governmental responses and policies, and macroeconomic factors will negatively impact investment returns.

Cash and Cash Alternatives: Accounts may maintain significant cash positions, including sweep and free credit balances, from time to time, and the client will pay the advisory fee based on the market value of the cash positions. Maintaining a minimum cash position in an account can help address potential immediate liquidity needs, advisory fees, or other account expenses without liquidating other holdings. Other cash beyond the minimums may be for anticipated client liquidity needs or be cash awaiting investment. The account may forego investment opportunities by holding cash positions. In most cases, cash positions generate less interest or a lower rate of return than other available investment options. In volatile markets, larger cash positions may reduce losses sustained by an investment portfolio. Conversely, in positive markets, or where interest rates are higher, larger cash balances may underperform investments in money market securities or other cash alternatives. Certain programs or strategies within third-party programs or platforms require a minimum cash balance. A conflict of interest exists where KAI has established a minimum and requires the minimum balance to be placed in a specific sweep program for eligible accounts. As described above, we will receive layered monetary benefits from the cash balance, including revenue from sweeps

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and free credit positions, as well as revenue from the advisory fees assessed on those cash balances. Not all RIAs require minimum cash balances in advisory accounts, and we encourage you to discuss whether investing or continued investment in accounts that require minimum cash holdings is best for your situation. We mitigate this conflict through disclosure to you. Clients should note that, though the default option for cash held in accounts is the core account investment vehicle, clients may at any time seek higher yields in other available investment options. KAI offers money market funds. Clients should speak with their IAR if they are interested in other investments that are not included in the Program. Certain elections for the treatment of dividends, capital gains, and interest (“Dividends and Capital Gains”) will require the proceeds to be held in a free credit balance, for which the client does not earn interest and is not covered by the FDIC insurance coverage afforded to BDSP balances, until it is distributed based upon the distribution frequency you selected. During the period in which the Dividends and Capital Gains accrue, but before they are distributed to you, these balances will forgo investment opportunities, and we will receive the aforementioned monetary benefits on the free credit balance. If you have any questions or would like to discuss options available for Dividends and Capital Gains, please contact your IAR.

TAX CONSIDERATIONS

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investment of your assets.

SELECTION OF THIRD-PARTY MONEY MANAGERS

In the event we recommend a TPMM to manage all or a portion of your assets, we will not perform a quantitative or qualitative analysis of individual securities. Instead, we may advise you on how to allocate your assets among various classes of securities, TPMMs, and/or model portfolios. We primarily rely on investment model portfolios and strategies developed by TPMMs and their portfolio managers. We may replace TPMM if there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark.

RECOMMENDATION OF THIRD-PARTY ASSET MANAGER PROGRAMS (TAMPs)

In the event we recommend a TAMP to manage your account, we will not perform a quantitative or qualitative analysis of individual securities. We may recommend replacing a TAMP if there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or of the integrity of our management.

In 2018, Kovack Advisors, Inc. (KAI) elected to participate in the Securities and Exchange Commission’s Mutual Fund Share Class Selection Disclosure Initiative (“SCSD Initiative”). The SCSD Initiative provided the opportunity for firms to voluntarily self-report to the SEC breaches of fiduciary duty and inadequate disclosures concerning mutual fund share class selection and 12b-1 fees received.

KAI consented to a settlement agreement finding violations of Sections 206(2) and 207 of the Investment Advisers Act and agreed to the entry of an Order in which the firm was censured, agreed to cease and desist from committing further violations, and to pay disgorgement and pre-judgment interest totaling \$898,781.22. The SEC did not impose a fine or civil penalty based on our self-reporting action.

In addition, KAI distributed the full amount of disgorgement and pre-judgment interest to affected clients, with the exception of de minimis refunds, in 2019. “De minimis refunds” refers to refunds of 12b-1 fees paid by accounts when the amount of the 12b-1 to be refunded, plus interest, is less than \$10.00.

On August 26, 2022, KAI settled without admitting or denying the findings with the SEC for failing to review accounts of clients in wrap fee programs to determine whether the program remained suitable for the clients between 2015 and 2018. The SEC found that certain KAI clients remained in the wrap program despite the lack of activity and that certain fees were not adequately disclosed to wrap clients, in addition to the wrap fee.

Without admitting or denying the SEC’s findings, KAI consented to a cease-and-desist order and a censure and agreed to pay disgorgement of \$166,239, prejudgment interest of \$33,274, and a civil money penalty of \$700,000. KAI also agreed to distribute the funds to impacted clients and to comply with certain undertakings. Additionally, KAI no longer offers wrap accounts.

On November 21, 2025, KAI entered into a consent order with the Delaware Investor Protection Unit, which alleged that KAI violated or failed to comply with various sections of the Delaware Securities Act by filing incomplete registration materials, failing to supervise its employees, failing to adhere to its own written supervisory procedures, and failing to maintain certain records and documents. KAI agreed to resolve the dispute pursuant to the terms of the order without admitting or denying the findings of fact or conclusions of law contained

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in the order to avoid the expense and uncertainties of protracted litigation. KAI paid a \$995,180 fine and consented to comply with certain undertakings involving removing inaccurate documentation in its active personnel files or providing inaccurate information to regulators and refraining from committing future violations of the Delaware Securities Act.

Information regarding such matters is available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for KAI is 140808.

See the Form ADV Part 2B brochure supplements for background information regarding KAI management persons and/or your KAI IAR.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS

AFFILIATED BROKER-DEALERS

KAI is affiliated through common control and ownership with Kovack Securities, Inc. ("KSI"), an introducing broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA"). KAI IARs, and management personnel of KAI and/or KSI, who are also Registered Representatives ("RRs") of KSI, are eligible to receive commission-based compensation for securities products, including mutual fund 12b-1 fees, that they buy and sell for your KAI advisory account(s). Additionally, KAI may receive service fees, due diligence fees, marketing reimbursements, or other payments relating to a Client's investments. KAI, as the investment adviser, sponsor, or other service provider to investment advisory programs, receives compensation for its services. Clients should be aware that these fees, payments, and other compensation present a conflict of interest since KAI/KSI, its management personnel, and its IARs/RRs may have a greater incentive to recommend those products or programs that provide additional compensation to KAI/KSI or IARs/RRs. Clients are advised that they are under no obligation to utilize the services of KAI, its affiliates, its representatives, or other Associated Persons. To address this conflict of interest, and consistent with fiduciary duty and best execution for Client transactions, where possible, advisory or institutional share classes are selected for accounts managed by KAI. In the case where there is no suitable advisory or institutional share class available, and another product is selected based on the Client's investment objectives, any 12b-1 fees or other transactional or commission-based compensation will be credited to the Client's account.

INSURANCE AND OTHER FINANCIAL INDUSTRY ACTIVITIES

In addition, IARs, management persons, and other Associated Persons of KAI may be independent insurance agents for various companies, tax professionals, or have other financial-related businesses not affiliated with KAI or KSI. These practices represent conflicts of interest because they give the IAR an incentive to recommend products based on the compensation received from their other business activities. Clients are advised that they are not obligated to utilize any services or purchase any insurance or other products or services from any KAI affiliates or their Associated Persons. Clients can purchase products or services through any insurance, tax, or other financial-related services provider they choose.

OTHER INVESTMENT ADVISERS

One or more investment adviser representatives (IARs) of KAI own and operate their own registered investment adviser (RIA) firms and are dually registered as RRs with KSI and their RIA (where required). Services offered through and fees paid to another RIA are separate and distinct from the services offered through and the fees paid to KAI or KSI. Clients of another RIA may be recommended to KAI for third-party services for which the other RIA would be compensated a portion of the fees paid to KAI. As disclosed above, RRs of KSI are eligible to receive commission-based compensation for securities products, including mutual fund 12b-1 fees, that they buy and sell for your advisory account(s). However, the fees charged by KAI will not be higher than its typical fees due to this arrangement. Clients are not obligated to utilize the services of KAI, KSI, or another RIA owned and operated by any person associated with KAI or KSI.

AFFILIATED LAW FIRM

KAI is affiliated through common control and ownership with a law firm, Brian J. Kovack, PA. Mr. Kovack is the CEO and a principal owner of KFN, and the President of KAI and KSI. Legal services offered through and fees charged by Mr. Kovack are separate and distinct from advisory services offered through and the fees charged by KAI. Mr. Kovack does not offer legal services to Advisory Clients.

AFFILIATED MUNICIPAL ADVISOR

KAI is affiliated through common control and ownership with Kovack Municipal Group LLC (KMG). KMG is registered as a Municipal Advisor with the U.S. Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB"), offering advice on municipal financial products or the issuance of municipal securities. The services offered through KMG and the fees charged by KMG are separate and distinct from advisory services offered through KAI and the fees charged by KAI. Clients of KAI are not required to use the services of KMG and vice versa. To the extent KMG represents a municipal entity as a consultant or in an underwriting capacity and recommends those municipal securities to clients of KAI, there is a conflict of interest, as there is an incentive for KAI and its representatives to recommend municipal products based on the compensation received, rather than on your needs. We manage this conflict of interest by monitoring the suitability of such municipal products as a portion of your investment needs, and by utilizing municipal products that we believe to be in your best interest.

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SELECTION OF THIRD-PARTY MONEY MANAGERS

We may recommend that you use a TPMM as part of our asset allocation and investment strategy. We pay a portion of the advisory fee you pay us with the TPMM for their services. While fees are negotiable, when we pay a portion to TPMMs, the fee may be higher due to the sharing arrangement. The compensation arrangement presents a conflict of interest due to a financial incentive to select the services of a TPMM with more favorable compensation arrangements over other TPMMs. Fees could be higher than you would otherwise pay through other firms that do not utilize TPMMs or that have lower fee-sharing arrangements. Please carefully review all disclosures and advisory contracts to fully understand the total advisory fees you will pay.

RECOMMENDATION OF THIRD-PARTY ASSET MANAGERS (TAMPs)

We may recommend that you use a TAMP as part of our advisory services. KAI will share in the compensation charged by the TAMP. While fees are negotiable, typically, the fees charged by the TAMP are higher due to the sharing arrangement. The compensation arrangement presents a conflict of interest due to a financial incentive to recommend the services of a TAMP with more favorable compensation arrangements than other TAMPs. Fees could be higher than you would otherwise pay through other providers that do not recommend TAMPs or that have lower fee-sharing arrangements. You are not required to use the services of any recommended TAMP. If you elect to utilize the services of any recommended TAMP, please carefully review all disclosures and advisory contracts to fully understand the total advisory fees you will pay.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS / PERSONAL TRADING DESCRIPTION OF OUR CODE OF ETHICS

KAI endeavors at all times to put the interests of its advisory Clients first. However, Clients should be aware that the receipt of economic benefits by KAI (or its Associated Persons and affiliates, such as KSI) creates a conflict of interest. Therefore, KAI has adopted a Code of Ethics, which includes guidelines for professional standards of conduct for the firm and its Associated Persons pursuant to SEC Rule 204A-1.

KAI's goal is to protect Client interests at all times and to demonstrate commitment to fiduciary duties of honesty, good faith, and fair dealing. All of KAI's Associated Persons are expected to strictly adhere to these guidelines. Persons associated with KAI are also required to report any violations of the Code of Ethics. Additionally, the firm maintains and enforces written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about Clients or Client accounts by persons associated with the firm.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING PRACTICES

KAI and its employees may buy or sell securities that are also held by Clients, or they may have an interest or position in a certain security, which may also be recommended to the Client. As these situations could present a conflict of interest, KAI has established the following restrictions:

1. A director, officer, or employee of KAI shall not buy or sell a security for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of their employment, unless the information is also available to the investing public. No owner/employee of KAI shall prefer their own interest to that of the Client.
2. IARs are required to have duplicate trade confirmations and statements submitted for all brokerage accounts holding stocks and bonds. These confirmations are cross-checked against IARs' Clients' trades on an as-needed basis, and monthly statements are reviewed.
3. KAI requires that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisers.
4. KAI ensures that Clients are not at a disadvantage if KAI blocks personal trades with those of Clients and allocates the trades in a like manner. Please refer to the "Brokerage Practices" section in this brochure for information on our block trading practices.

KAI's Code of Ethics is available upon request by contacting the Chief Compliance Officer at (954) 782-4771.

ITEM 12: BROKERAGE PRACTICES

KAI recommends broker-dealers based on the services provided by the broker-dealer. In considering which independent qualified custodian will be the best fit for KAI's business model, KAI evaluates the following factors, including, but not limited to:

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- Financial strength
- Reputation
- Reporting capabilities
- Execution capabilities
- Pricing
- Types and quality of research

Currently, we routinely recommend the brokerage and/or custodial services of Pershing, LLC (Pershing), National Financial Services LLC (NFS), and Fidelity Institutional Wealth Services (IWS). Selected TPMMs and recommended TAMPs may require the use of certain brokers or custodians. Clients should be aware that KAI and/or KSI receive all or a portion of the transaction costs charged by some clearing firms, which may be higher than those charged by other firms. For example, NFS and Pershing generally charge a transaction ticket charge of \$19.50 per transaction. At times, the ticket charge may be higher or lower. Therefore, KAI has a financial incentive to recommend the services of such recommended clearing firms over those with which it does not receive or share in any additional account transaction fees. IARs who pay transaction costs have an incentive to trade your account less frequently to avoid incurring the transaction costs or to use a broker-dealer or custodian that charges lower transaction costs, although a more favorable transaction might be available through another broker-dealer or custodian. As described in the Item 13 Account Reviews section below, KAI conducts periodic supervisory reviews of advisory accounts for consistency with its fiduciary duties and best execution obligations. You are also hereby advised that you are not required to utilize the services provided by any particular recommended service provider.

KAI also maintains a Core Account Sweep Program with NFS. This program creates substantial financial benefits for our affiliated broker-dealer, KSI, KAI, and NFS, as described herein. This additional compensation received by KSI and KAI creates a significant conflict of interest with KAI clients because KAI and KSI have a substantial economic incentive to use NFS as our clearing firm for trade execution and custody over other firms that do not or would not share revenue with KSI. KAI may be unable to achieve the most favorable execution for client transactions, which may cost clients more money. Further detailed discussion of the substantial economic benefits KAI receives from its relationship with NFS can be found here in Item 12 and in Item 14 below. Clients are urged to read and consider the contents of this Brochure carefully and to inquire about KSI's and KAI's sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by KAI and/or KSI.

In some cases, we will use market intermediaries to execute your orders. The benefit of using market intermediaries is to increase access and liquidity. This is typically the case for bond trades. These market intermediaries embed their costs into the price they are willing to buy or sell bonds. We review the execution prices its customers receive as part of its best execution review process.

RESEARCH AND OTHER SOFT DOLLAR BENEFITS

While Clients are free to choose any broker-dealer or other service provider, KAI recommends establishing an account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to the firm, including research, market information, and administrative services that help KAI manage accounts. KAI believes that recommended broker-dealers provide quality execution service at competitive prices. However, price is not the sole factor considered in evaluating best execution. KAI also considers the quality of the brokerage services provided by the recommended broker-dealers, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and Client responsiveness.

KAI does not have any soft dollar credit arrangements with such recommended brokerage firms/custodians.

CORE ACCOUNT SWEEP PROGRAM

The Bank Deposit Sweep Program ("BDSP" or "Program") is the core account investment vehicle for eligible accounts held at NFS to hold cash balances while awaiting reinvestment. The cash balance in clients' eligible accounts will be deposited automatically or "swept" into interest-bearing FDIC-insurance eligible Program deposit accounts ("Deposit Accounts") at one or more FDIC-insured financial institutions ("Program Banks"). The interest rates currently payable on clients' Deposit Accounts can be obtained from KAI, your IAR, or at <https://kovackfinancial.com/wp-content/uploads/2026/01/Cash-Sweep-Rate-List.pdf>. Specific features and account eligibility of the BDSP are further explained in the Disclosure Document provided to clients who participate in the BDSP. A current version of the Program Disclosure Document is available at <https://kovackfinancial.com/disclosures/>. Clients should note that, though the default option for cash held in accounts is the core account investment vehicle, clients may at any time seek higher yields in other available investment options. KAI offers money market funds. Clients should speak with their IAR if they are interested in other investments that are not included in the Program. Our affiliate, KSI, receives fees for its services in administering the Program for advisory/brokerage accounts held at NFS and, as described herein and in the disclosure documents referenced herein, these fees create conflicts of interest because KSI receives financial benefits for an advisory client's participation in the Program. Although the fees received vary from Program Bank to Program Bank, each of the BDSP pools all fees received associated with that program in an effort to treat clients equally, regardless of the individual bank in which clients' funds may be deposited. The fees received by KSI reduce the interest rate paid by the Program Banks, and, therefore, the Program presents a conflict of interest. The Program is generally more profitable to KSI than other money market sweep options

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available. IARs do not directly receive any of the fees received by KSI for the BDSP. Depending on interest rates and other market factors, the yields you receive on BDSP may be lower than the aggregate fees received by KSI for your participation in the Program. This can result in you experiencing a negative overall investment return with respect to cash reserves in the Program. In addition, KSI and KAI financially benefit from cash balances in a core account investment vehicle. Cash balances in the core account sweep investment vehicle are included in the value of account assets used to calculate the management fees and other asset-based fees charged to clients. This means that KAI and the IAR earn advisory fees, and KSI also earns sweep compensation, on the same cash balances in an advisory account held at NFS. The advisory fee charged to a client's account reduces the interest rate paid to the client on their cash balances and other asset-based fees charged to your advisory accounts. The Program Banks use deposits to fund current and new lending and for investment activities. The Program Banks earn net income from the difference between the interest they pay on Program deposits and the fees paid to KSI, NFS, and the Program administrator (collectively, "Program Fees"), and the income they earn on loans, investments, and other assets. Program Banks can pay rates of interest on Program deposits that are lower than prevailing market interest rates that have been paid on accounts otherwise opened directly with the Program Bank. Program Banks do not have a duty to provide the highest rates available and may instead seek to pay a low rate. Lower rates will be more financially beneficial to a Program Bank. There is no necessary linkage between bank rates of interest and the highest rates available in the market, including any money market mutual fund rates. By comparison, a money market mutual fund generally seeks to achieve the highest rate of return (less fees and expenses) consistent with the money market mutual fund's investment objective, which can be found in the fund's prospectus. BDSP creates substantial financial benefits for KSI because it receives a fee from each Program Bank in connection with the program (equal to a percentage of all participants' average daily deposits at the Program Banks). Fee amounts will vary, but in no event will KSI's fee be more than an amount equal to the Fed Funds Effective Rate (FFER) plus 25 basis points (bps) on an annual basis (trailing 12 months) across all Deposit Accounts in BDSP. At its discretion, KSI raises or reduces its fees and varies the amount of the reductions between clients based on market conditions and/or other factors selected in its sole discretion. The interest paid to clients on deposits of BDSP is based on the client's program deposits and is determined and calculated by KSI. This discretion in setting the fee KSI receives creates a conflict of interest for KSI and KAI; the greater the fee KSI receives, the lower the interest rate paid to clients; the lower the fee paid to KSI, the higher the interest rate paid to clients. If the maximum fee increases, KSI/KAI will notify clients in writing of such a change. Clients may, at any time, use an alternative option to BDSP.

Financial Benefits to KSI and Conflicts of Interest

The Program creates financial benefits for us and/or our affiliates, NFS, and certain third-party Program service providers. Financial benefits include the payment of compensation to us, NFS, and third-party Program service providers that result from your use of the Program. These financial benefits incentivize us to make the Program the default and only cash sweep available for your Program-eligible brokerage accounts rather than a different cash sweep that does not entail such financial benefits to us or entails lesser financial benefits to us, resulting in a conflict of interest for us. Cash balances in your account help support fees to us, NFS, and third-party Program service providers. Therefore, we have a conflict of interest and an incentive to enroll persons in the Program and recommend you maintain cash in your account, which will be included in the Program, and increase compensation to us. We address this conflict by disclosing it to you, not sharing any compensation we receive from the Program with your Investment Representative, and making other non-sweep investment options available to you, such as Money Funds. We and/or our affiliates, and NFS and certain third-party program service providers are paid a fee for administering the Program (collectively, the "Program Fee"). The Program Fee is calculated by multiplying the cash deposits held at a Program Bank by the overall bank rate for that Program Bank and then subtracting total interest paid to you (based on the interest rate) on cash deposits held in the Program. This calculation creates an incentive to pay a lower interest rate in order to maximize the Program Fee. Since we set the interest rate in connection with the Program, this discretion creates a conflict between our interests and your interests because the determination of our share of the interest paid by the Program Banks that we retain as compensation directly affects and reduces the interest you earn on your cash deposits held in the Program. Both we and NFS may receive more revenue with respect to amounts in the Program than with respect to other sweep products. For a full description of the Program, please carefully review the enclosed Disclosure Document, which provides additional information on our compensation and related conflicts of interest.

BROKERAGE FOR CLIENT REFERRALS

KAI does not receive Client referrals from broker-dealers/custodians in exchange for cash or other compensation, such as brokerage services or research.

DIRECTED BROKERAGE

KAI does not accept client-directed brokerage arrangements. As such, all clients will be required to use the services of one or more recommended broker-dealers/custodians with which we have a business relationship. Not all advisers require their clients to direct brokerage to a particular broker-dealer/custodian. By directing brokerage, we may be unable to always achieve the most favorable execution of client transactions, which may result in higher commissions and/or trading costs than those that may be available elsewhere.

TRADE AGGREGATION

KAI may buy or sell the same security for two or more Clients (including the firm's personal accounts) when concurrent orders are placed to be executed together as a single "block" in order to facilitate orderly and efficient execution. Each Client account will be charged or

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credited with the average price per unit. KAI receives no additional compensation or remuneration of any kind because we aggregate Client transactions, and no Client is favored over any other Client. The aggregation should, on average, slightly reduce the costs of execution. We will not aggregate a Client's order if, in a particular instance, we believe that aggregation would cause the Client's cost of execution to be increased. KAI and/or its Associated Persons may participate in block trades with Clients and may also participate on a pro-rata basis for partial fills, but only after the determination has been made that Clients will receive fair and equitable treatment.

ITEM 13: REVIEW OF ACCOUNTS

ASSET MANAGEMENT ACCOUNT REVIEWS

KAI monitors Client account holdings on a continuous basis, and the IAR assigned to the account conducts formal account reviews generally quarterly, but at least annually. Periodic supervisory reviews are conducted by either KAI's Executive Vice President, President, Chairman, Vice President(s), Chief Compliance Officer, and/or Compliance Officer(s). At account opening, Clients will choose a general investment category that reflects their risk tolerance, investment objectives, and financial objectives. In conducting ongoing reviews, KAI will review the allocations in the account against the chosen investment category.

Triggering factors for additional reviews may include, for example, a Client's request, significant changes to a Client's financial condition, risk tolerance, investment objectives, changes in economic conditions, etc. Additionally, an activity that raises concerns with regard to anti-money laundering regulations will also result in an account review.

Clients will receive statements of account activity directly from their account custodian(s) at least quarterly. KAI does not provide additional written reports on a regular basis.

A financial plan is a snapshot in time, and no ongoing reviews are conducted unless you have engaged us for a review and/or updates to your financial plan. We recommend a plan review at least annually.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Client Referrals

KAI may have relationships with unaffiliated persons (individuals or entities) that refer Clients to KAI for a fee. All referring parties sign an agreement with KAI. The referring parties will not provide investment advisory or supervisory services to Clients. The referring party must provide the potential Client with a copy of KAI's Firm Brochure (this document), along with a copy of a disclosure statement describing the referral compensation arrangement. The referring party will generally receive a referral fee that is a portion of the annual investment advisory fee paid to KAI by the Client. The fee charged to the Client is not greater than it would have been without a referring party.

We receive revenue from certain independent third parties or programs. Thus, we have an incentive to promote certain third parties or programs. It should be noted that IARs do not directly receive any of this revenue, but do receive a percentage of the total fees paid by the Client accounts to which they are assigned. Additionally, some IARs may be offered fee discounts for their assigned Clients by some third parties or programs based on the amount of assets or other individual IAR circumstances. Therefore, some Clients may pay different fees for the same third parties or programs than other Clients pay. IARs have a conflict of interest because they have an incentive to promote those third parties or programs over others with less favorable fees, rather than selecting or recommending specific third parties based solely on the Client's needs. You are under no obligation to accept the recommendations of your IAR, and lower fees and/or comparable services may be available elsewhere.

We also receive revenue from service providers that the firm may recommend, such as 401(k) fiduciaries. Therefore, we have an incentive to recommend service providers that provide us with revenue based on assets referred to or placed with them. IARs do not participate in this revenue and do not receive any incentives to use these service providers. You are under no obligation to use these providers, and lower fees and comparable services may be available elsewhere.

Economic Benefits Received from Vendors/Product Sponsors

Occasionally, our firm and our Associated Persons will receive additional compensation from vendors and/or product sponsors. Compensation could include such items as gifts, an occasional dinner or ticket to a sporting event, reimbursement in connection with educational meetings with an Associated Person, reimbursement for consulting services, client workshops, or events, or marketing events or advertising initiatives, including services for identifying prospective clients. Receipt of additional economic benefits presents a conflict of interest because our firm and Associated Persons have an incentive to recommend and use the services and products of various third-party vendors and/or product sponsors based on the additional economic benefits obtained, rather than solely on the client's needs. We address this conflict of interest through disclosures to clients and by recommending vendors and/or products that we, in good faith, believe are appropriate for the client's particular needs. If you do not want us to use a specific vendor service or product, please speak with your IAR regarding potential alternatives. Comparable services may be available through other firms that do not have these arrangements with third parties.

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In addition to fee-sharing arrangements with various selected TPMMs and recommended TAMPs, KAI and/or KSI have entered into several revenue-sharing agreements with several unaffiliated third parties, including but not limited to the receipt of certain allowances, compensation, reimbursements, and/or services from such third parties in connection with KAI's investment advisory services to KAI Clients. As such, KAI receives one or more benefits, such as compensation to support technology, training, marketing, staffing, and ongoing education of KAI's IARs, administrative support, business development, compliance consulting, periodic conference calls regarding industry news, market commentary, and executive updates, along with education and marketing support for KAI's IARs. Additionally, such third parties may sponsor or participate in annual conferences for KAI and its IARs, designed to facilitate and promote the success of KAI and/or relevant third parties. KAI may receive discounted pricing from these third parties for services, such as practice management and marketing-related tools and services. The amounts of compensation vary depending on the value of, for example, the client assets on the relevant technology platform. Compensation received may be in the form of a flat dollar amount, a percentage of the value of new or existing account assets of Clients, or a technology discount, etc. Additionally, in some cases, KAI is eligible to receive a one-time annual payment based on the number of new IARs using the platform.

IARs may hold educational and marketing seminars that are paid for by an issuer/sponsor to provide information about their product to existing and potential clients, or the IAR may receive other forms of marketing assistance. Additionally, IARs may attend educational, marketing, or due diligence seminars held by issuers/sponsors. Because of these educational seminars and/or marketing assistance, your IAR may recommend the products of that issuer over those of other issuers. You are under no obligation to purchase any recommended product, and comparable products may be available through other sponsors and issuers.

These arrangements create conflicts of interest because KSI, its representatives, KAI, and its IARs have a financial incentive to recommend certain third parties over other third parties based on these additional arrangements. You are not obligated to use any services offered through KSI, its representatives, KAI, or its IARs, and may terminate your advisory agreement in accordance with the terms and conditions. Where you have entered into non-discretionary services with us, you are under no obligation to accept any recommendation to use a specific third-party program or platform. Lower fees and/or comparable services may be available elsewhere.

Annually, we hold a National Conference and other periodic conferences jointly or separately from KSI. Securities products issuers, third-party money managers/third-party asset manager programs, and other financial and/or marketing services providers pay KSI and KAI for sponsorships to attend the conferences and to present their products to our IARs. This presents a conflict of interest because we are incentivized to recommend products issued by companies willing to pay to present at the conferences, though IARs are not required by KAI to offer or sell products presented at the conferences. However, the marketing and educational activities of the companies that present at the conferences lead IARs to focus more on these products than on those not presented at the conferences. Additionally, these and other vendors, as well as third-party managers, programs, and other service providers, reimburse KAI and/or KSI for general and other expenses associated with such conferences. You are under no obligation to purchase any recommended product, and comparable products may be available through other sponsors and issuers.

Some issuers/sponsors provide additional compensation, other than the commissions paid to KSI, for assisting in the distribution of their products. These companies vary from time to time, and a current listing is shown on the firm's website www.kovacksecurities.com under the "About Us" tab, followed by "Revenue Sharing Agreements." We are incentivized to promote products from these companies. IARs do not receive any portion of this additional compensation and are not required to offer or sell any specific products. Comparable products may be available elsewhere, and you are under no obligation to purchase any product.

Other Compensation

Please refer to Item 12 above for information regarding economic benefits and additional compensation received in conjunction with our brokerage practices and Core Account Swee Program.

Margin Loans and Non-Purpose Loans

To the extent you utilize a lender introduced to you by KAI for margin loan financing and/or non-purpose loans secured by client accounts, KAI and/or KSI will receive interest-sharing compensation related to such loans. The receipt of this compensation is a conflict of interest because it creates incentives for us to recommend leverage when it may not be suitable for the account.

We are additionally incentivized to advise you to use margin to increase your portfolio size, because we will base our advisory fee on your overall portfolio market value, in addition to the fees we receive on the interest generated by the margin. We have the ability to mark up or otherwise influence the interest rates charged on these programs and thereby increase our compensation. We address these conflicts through reviewing accounts for suitability when they apply to use leverage, monitoring of the amount of leverage used within accounts, maintenance of our Code of Ethics, and this disclosure to you. We encourage you to compare recommended lenders with other lending sources. You are not obliged to use the margin or lending sources we recommend.

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ITEM 15: CUSTODY

KAI does not have physical custody of any Client funds and/or securities. Client funds and securities will be held with a bank, broker-dealer, or other independent qualified custodian. All checks deposited into the Client's custodial accounts must be made payable either to the custodian or for the benefit of the account name. However, KAI is deemed to have custody of Client assets in situations where it or a related person, such as an advisory representative or other advisory affiliate of KAI, holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them. Because of the fee deduction authority granted by the Client in the management agreement and in certain situations where we accept standing letters of authorization from Clients to transfer assets to third parties, we are deemed to have "limited" or "constructive" custody. We maintain safeguards in accordance with regulatory requirements regarding the custody of Client assets in these limited situations.

We will either send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given us written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account.

The custodian will not verify the calculation of the advisory fees. However, all accounts receive account statements at least quarterly from the independent, qualified custodian holding the investments. We will also receive a duplicate copy of your account statements. The account statement from the custodian will indicate the amount of advisory fees deducted for each billing cycle. Clients should carefully review their account statements and are encouraged to compare any reports received by KAI with their custodial statements and to promptly report any issues.

ITEM 16: INVESTMENT DISCRETION

KAI will assist Clients in opening an account with an independent custodian or broker-dealer. Pursuant to a written agreement, Clients may grant KAI limited discretionary authority over the Client's account to determine the securities to be bought and sold, to place trades, and periodically rebalance the Client's account back to the recommended allocation. Apart from the ability to withdraw management fees, KAI does not have the ability to withdraw funds or securities from the Client's account. KAI has no obligation to supervise or direct investments held in Client accounts that were not recommended, or that are not subject to review, by KAI and for which the Client does not pay an advisory fee.

Clients grant KAI a limited power of attorney for trading purposes only with respect to the Client's brokerage account. KAI will exercise discretion to place transactions in the Client's account based on a strategy selected by the Client. Discretion also will be exercised when KAI rebalances the allocation of the Client's portfolio to ensure that it remains consistent with the Client's investment objectives.

If you wish, you may limit our discretionary authority, for example, by setting a limit on the type of securities that can be purchased for your account. Simply provide us with your restrictions or guidelines in writing. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you have engaged us for non-discretionary asset management services, KAI will obtain your approval prior to executing all transactions in your account(s).

ITEM 17: VOTING CLIENT SECURITIES

KAI does not vote proxies on behalf of advisory accounts or provide advice regarding proxies. It is the Client's responsibility to vote proxies. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

ITEM 18: FINANCIAL INFORMATION

We are required in this Item to provide you with certain financial information or disclosures about KAI's financial condition. KAI does not require prepayment of over \$1,200, six or more months in advance. Additionally, KAI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and it has not been the subject of a bankruptcy proceeding.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

This section is not applicable because our firm is SEC-registered.