

**Kovack International Advisors Inc.**  
**ADV Part II**  
**Firm Brochure**  
**March 29, 2019**

Kovack International Advisors Inc.  
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*This Disclosure Statement provides prospective clients with information and data that should be considered before or at the time of obtaining the firm's advisory services. Registration with the SEC does not imply a certain level of skill or training.*

**This brochure provides information about the qualifications and business practices of Kovack International Advisors Inc. If you have any questions about the contents of this brochure, please contact us at 866-564-6574 and/or [kiagroup@kovackinternationaladvisors.com](mailto:kiagroup@kovackinternationaladvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Kovack International Advisors Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2**

**Material Changes**

This section is used to identify any material changes since the Kovack International Advisors last annual update. There are no changes to report.

### **Item 3**

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## **Item 4**

### **Advisory Business**

Kovack International Advisors was founded in 2013 by Ronald and Brian Kovack. Kovack International Advisors Inc. (KIA) is registered with the U.S. Securities and Exchange Commission (SEC) as a Registered Investment Advisor. KIA may act as investment advisor for retail and institutional clients. KIA maintains contractual relationships with Investment Advisor Representatives (IAR) who are registered with the SEC and states as required and may provide financial advice to clients. The IAR will evaluate your investment needs and objectives to determine your suitability for the various programs offered through KIA.

The services to be provided by KIA include financial planning services, portfolio management for individuals and/or small businesses, portfolio management for businesses or institutional clients other than investment companies, and a selection of other advisors. KIA does not specialize in a particular type of advisory service and does not provide investment advice limited to specific types of investments.

The individualized advice from IARs is largely based on the information provided by clients. On the KIA Investor Profile Questionnaire or Investment Policy Statement, clients will provide information on financial circumstances, investment objectives and any special instructions or limits that the client may wish KIA to follow in managing the account(s). Client must also notify KIA promptly of any significant change in their information. This would include any change that might affect the way account(s) should be managed, such as significant changes in financial circumstances or investment objectives. Clients also agree to provide KIA with such additional information as KIA may request from time-to-time to assist in the management of the account(s). Clients may impose restrictions on investing in certain securities or types of securities (such as a product type, specific companies, specific sectors, etc.) by providing a signed and dated written notification.

### **Account Options**

KIA will offer the following CHOICE Program Account options to clients. As of 12/31/2017 KIA has not offered any of these programs to clients, but intends to.

- CHOICE Advisor accounts. These accounts can be discretionary (where the IAR is authorized by the client to place trades on behalf of the client) or non-discretionary.
- CHOICE Unified Management Accounts (UMA) are discretionary accounts. The IAR will recommend to a client portfolio strategies managed by independent, third party money managers. KIA will execute transactions on behalf of the client that follow the manager's strategy. CHOICE UMA accounts include CHOICE Mutual Fund and CHOICE ETF accounts.
- CHOICE Separately Managed Accounts (SMA). The IAR will recommend to a client portfolio strategies managed by independent, third-party money managers. The account is managed by the money manager, who has discretionary trading authority, while remaining a KIA client.
- CHOICE Annuity allows IARs to manage the sub-accounts held in variable annuities. The account is held at the insurance carrier's custodian, and the IAR manages the assets on a discretionary basis.

- Turnkey Asset Management Programs (“TAMP”) Accounts offer client access to independent third-party money managers. Based on the client’s financial objectives and risk tolerance, IARs may recommend a TAMP portfolio managed by an independent strategist. The accounts are managed on a discretionary basis by third-party money managers, who are unaffiliated registered investment advisors that KIA has approved to recommend. KIA does not manage or trade these accounts. The client’s IAR may be considered a solicitor for referring to the TAMP. The IAR will then receive an on-going solicitor’s fee for referring the client based on their financial profile, and for providing oversight on the introduced client’s account. In these instances, a Solicitor’s Disclosure Document will be signed by the client disclosing the allocation of the advisory fee to KIA as well as the TAMP. With a few TAMPs, the IAR will provide more services and may receive advisory fees.

KIA may offer the services above as Wrap Fee Program accounts, as well as Non-Wrap Fee Program accounts. A “wrap fee program” is a program under which investment advisory and brokerage execution services are provided for a single “wrapped” fee that is not based on the transactions in a client account. KIA will assist clients in determining the suitability of a Wrap Fee Program vs. Non-Wrap Fee Program for the client. The client’s advisory fee may be higher in a Wrap Fee Program account than in a Non-Wrap Fee Program account, since the fee includes transaction costs. For providing services, KIA will receive a portion of the Wrap Fee charged to the client. Clients are advised to consult with their IAR, as well as referring to KIA’s Wrap Fee Program Brochure, for more detailed information on KIA’s programs.

Generally, all KIA account options are available as Wrap Fee Programs if the account is held at Pershing. Other custodians may charge additional charges transactional fees, so the account options may not be available as a Wrap Fee Program account. For example, NFS charges a \$0.75 transaction fee; this fee is retained in full by NFS.

CHOICE Annuity account is offered only as Wrap Fee Program account by KIA as KIA manages the sub-accounts for a single fee. Variable annuity carriers have separate charges/costs, which may include transaction costs.

## **Item 5**

### **Fees and Compensation**

KIA’s fee for its CHOICE portfolio and investment management services will generally be directly debited from the account(s) for which KIA is providing management services. The account(s) will be debited quarterly in advance on approximately January 1st, April 1st, July 1st, and October 1st. Clients may request that the fee be charged to one of their other KIA/KSI accounts. Fees for investment advisory services between 0% and 3.00% may be charged. The initial quarterly fee will be prorated based on the number of billing days in the initial quarter. Fees may be negotiable. A client may terminate an advisory agreement without being assessed any fees or expenses within five (5) days of entering into the contract. Additionally, if the advisory contract is terminated before the end of the billing period, any unearned fees resulting from the advance fee will be returned, prorated by number of days where financial services will not be performed.

In calculating the value of the account for purposes of computing the account fee, KIA will generally include all assets invested in the account. The account fee will not include the following:

- Underwriting or dealer concessions or related compensation in connection with securities acquired in underwritten offerings.
- Certain odd-lot differentials, transfer taxes, transaction fees mandated by the Securities Act of 1934, postage and handling fees, and charges imposed by law with regard to transactions in the client's account(s).
- Advisory fees and expenses of mutual funds including money market funds, closed-end investment companies or other managed investments if any are held in the account(s).
- Account maintenance and custodial charges such as postage, IRA fees, bank wire costs, transfer charges, costs associated with exchanging foreign currencies, etc.
- For CHOICE Annuity accounts, all fees associated with the costs of the variable annuity and advisory fees and expenses of the sub-accounts.

The client may pay some or all of these fees. The total client program fees may vary from client to client.

The cost of these programs to the client, if provided separately with the equivalent trading activity in the account(s), may cost more or less than purchasing such services through the KIA programs. In addition, some investments can be purchased directly from the issuer, such as many mutual funds, and some mutual funds are offered without a sales charge. The IAR representing KIA programs receives compensation as a result of participation in the program. This compensation may be more or less than the IAR could have received for other investment advice, brokerage and/or other services or investment programs.

For clients investing in mutual funds, KIA requires that clients purchase the share class most beneficial to the client, generally the advisory share class. In some cases this class is not made available by the sponsor fund. Here, KIA will seek a comparable, similar mutual fund that provides an advisory share class, and offer the fund and share class to the client. If no comparable fund with an advisory share class is available, the client may pay higher fees that include 12b-1 fees.

Most KIA IARs will also be Registered Representatives (RRs) of KIA's affiliated broker-dealer firm, Kovack Securities, Inc. or Kovack International Securities, Inc. These IARs/RRs have the ability to recommend to clients advisory or non-advisory accounts, which are chiefly brokerage accounts and investments held directly with the issuer. Non-advisory accounts compensate RRs with commissions, which may or may not be greater than the compensation received on an advisory account.

The factors impacting the relative cost of a program to a particular client include the following:

- The size of the account(s),
- The type of account(s) (such as equity or fixed income),
- The size of the assets devoted to a particular strategy, and
- The manager(s) selected.

In Non-Wrap Programs, clients are charged for transactions in addition to advisory fees. KIA pays transaction charges in Wrap Accounts, so the management fee is included in the advisory fee charged to the client. Non-Wrap Program accounts will pay transaction charges separately.

The Wrap Fee may be higher than if the client paid for the transaction costs separately. These fees vary by broker dealer and/or custodian. Additionally, for any mutual funds purchased, the client may pay their proportionate share of the funds' distribution, internal management, investment advisory and administrative fees. Such fees are not shared with KIA and are compensation to the fund manager. Clients are urged to read the mutual fund prospectus prior to investing.

**ERISA Plans:** With ERISA clients, KIA 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. KIA 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. KIA 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 KIA to enable the additional compensation to be offset against the fees that the ERISA clients would otherwise pay for the advisor representative's services.
- KIA 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 KIA or the IAR might receive from third parties. KIA does not allow IARs to provide advice or manage assets for ERISA clients if they have conflicts of interest that KIA believes are prohibited by ERISA.

U.S. Department of Labor created new regulations on fee disclosures, effective July 16, 2011, for covered service provider to ERISA plans. Since KIA and its IARs may be considered covered service providers, KIA and its IARs will disclose the following:

- ☐ Direct compensation received from ERISA clients,
- ☐ Indirect compensation such as 12b-1 fees received from third parties, and
- ☐ Transaction-based compensation such as commissions or other similar compensation shared with related parties servicing the ERISA plan.

KIA will make these fee disclosures before entering into, renewing, or extending the advisory service agreement with the ERISA client.

#### *Fees Under Management*

KIA has no assets under management at this time

#### **Item 6**

## ***Performance-Based Fees and Side-By-Side Management***

KIA does not charge Performance Based Fees or allow Side-By-Side Management.

### **Item 7**

#### **Types of Clients**

KIA anticipates providing 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 business.

KIA will follow standard compliance procedures when opening or maintaining an account. KIA offers several different investment programs each with different minimum investment amounts. Your IAR will provide this information.

### **Item 8**

#### **Methods of Analysis, Investment Strategies, and Risk of Loss**

KIA will rely on the research performed by its affiliate, Kovack Advisors, Inc. (KAI). 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 on-going 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.

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 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. CHOICE Programs may invest in:

- 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)

### *Sources of Information*

The main sources of information utilized by KAI in making its investment decisions are financial publications, research materials, corporate rating services and annual reports, prospectuses and other SEC filings. KAI also conducts its own due diligence of independent, third-party money managers that the firm approves for 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 generally does not recommend individual stocks or bonds, but certain exceptions may be made in cases where the stocks were obtained before becoming a client or are requested by the client. KAI will monitor individual stock exposure in the overall portfolio only upon written agreement with the client.

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 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 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.

**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 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 the 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 to the revenue generated by the project. In addition, municipal bonds generally are 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.

**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 risk, 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.

## **Item 9**

### **Disciplinary Information**

This section is used to disclose any disciplinary events that are material to a client's or prospective client's evaluation of KIA. KIA has had no material disciplinary events to disclose.

## **Item 10**

### **Other Financial Industry Activities and Affiliations**

The owners of KIA also own Kovack International Securities (KIS) and Kovack Securities, Inc. (KSI) both of which are full service broker/dealers registered with the Financial Industry Regulatory Authority (FINRA). The owners of KIA also own Kovack Advisors, Inc., an investment advisor registered with the SEC. Additionally, KIA is affiliated with a law firm, Brian J. Kovack, PA. Where permitted by law, KIS and its representatives may receive mutual fund 12b-1 fees, services fees, due diligence fees, marketing reimbursements, or other payments relating to a client's investment. KIA, as the investment advisor, sponsor, or other service provider to your investment advisory program, receives compensation for its services. You should be aware that these fees, payments, and other compensation may present a conflict of interest because KIA/KIS and its IARs may have a greater incentive to recommend those products or programs that provide additional compensation to KIA/KIS or your IAR.

All KIA management persons are registered with KIS. Neither KIA nor any of its management persons are registered or have an application to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of these entities.

Other investment advisors may be recommended or selected for you. KIA may receive compensation directly or indirectly from those advisors. You should be aware that this compensation may create a material conflict of interest because KIA or its IARs may have a great incentive to recommend those products or programs that provide additional compensation.

## **Item 11**

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

KIA's Code of Ethics includes guidelines for professional standards of conduct for the firm's Associated Persons pursuant to SEC Rule 204A-1. KIA'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 KIA's Associated Persons will be expected to strictly adhere to these guidelines. Persons associated with KIA will also be required to report any violations to the Code of Ethics. Additionally, the firm will maintain and enforce 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.

KIA and its employees may buy or sell securities that are also held by clients. It is KIA's express policy that no person employed by the firm purchase or sell any security prior to the transaction being implemented for an advisory account so as to prevent employees from benefiting from transactions placed on behalf of the advisory clients.

The advisor may have an interest or position in a certain security, which may also be recommended to the client. As these situations may present a conflict of interest, the advisor has established the following restrictions in order to ensure its fiduciary responsibilities:

1. A director, officer or employee of KIA shall not buy or sell a security for their personal portfolio(s) where their decision is substantially derived, in whole or part, by reason of his or her employment, unless the information is also available to the investing public. No owner/employee of KIA shall prefer their own interest to that of the client.
2. IARs are required to have duplicate confirms and statements submitted for all brokerage accounts holding stocks and bonds. These confirmations are cross-checked against IAR clients trades on an as-needed basis, and monthly statements are reviewed.
3. KIA requires that all employees must act in accordance with all applicable Federal and State regulations governing registered investment advisors.
4. KIA ensures that clients are not at a disadvantage if KIA blocks personal trades with those of clients, and allocates the trades in a like manner.

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

## **Item 12**

### **Brokerage Practices**

KIA will perform portfolio management services for your securities brokerage account(s). Some accounts may be held through the securities brokerage firm of KIS on a fully disclosed basis as agreed to by you.

KIA does not receive any research or soft dollar benefits from a broker/dealer or a third party in connection with you transactions other than execution. KIA is affiliated with KIS. Clients are referred from KIA to KIS and from KIS to KIA. KIA does not recommend, request, or require that you direct execution of transactions through a specified broker-dealer. Transactions for each client account generally will be placed separately, unless KIA decides to purchase or sell the same securities for several clients about the same time. KIA may combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among KIA clients.

You may receive different prices and commissions or other transaction costs than if your orders had been placed independently. Under this procedure, transactions will be averaged as to price and transaction costs and will be allocated among KIA clients in proportion to the purchase and sale orders placed for each client account for any given trade.

A potential conflict of interest may exist when KIA executes transactions through its affiliate broker-dealer, KSI. This potential conflict of interest is mitigated by the fact that KIA has a fiduciary duty to act in the client's best interests.

## **Item 13**

### **Review of Accounts**

KIA periodically reviews the accounts and financial plans on at least a semi-annual basis. KIA reviewers may include KIA's Executive Vice President, President, Chairman, Vice President, and Compliance Officer(s). In the

initial account set-up, you will choose a general investment category that includes your risk tolerance, investment objectives, and financial objectives. KIA Personnel will review the allocations in your account against your chosen investment category.

Other factors may trigger a review of your account on an as needed basis. For example, changes to your financial condition, risk tolerance and investment objectives may trigger a review of your account. Also, suspicious activity with regards to anti-money laundering regulations may trigger a review of your account.

You will receive monthly statements of your account activity from the custodian firm for your account. You will receive a quarterly performance report of your account(s). The KIA performance reports include the market value of the account and performance versus custom and/or broad market indexes.

#### **Item 14**

##### ***Client Referrals and Other Compensation***

KIA does not receive any economic benefit from someone who is not a client for providing investment advice or other advisory services.

KIA may have relationships with unaffiliated people that refer clients to KIA for a fee. All referring parties sign an agreement with KIA. The referring parties will not provide investment advisory or supervisory services to you. The referring party must provide you with a copy of KIA's Firm Brochure. Also, the referring party must provide you with a copy of KIA's referring party disclosure statements and client acknowledgement.

The referring party may receive a referral fee that is a portion of the annual investment advisory fee that you pay KIA. The fee to you is not greater than it would have been without a referring party.

#### **Item 15**

##### **Custody**

KIA does not have custody over client funds.

#### **Item 16**

##### **Investment Discretion**

KIA may accept discretionary authority to manage securities accounts on behalf of clients. This discretionary authority is limited to trading.

#### **Item 17**

##### **Voting Client Securities**

KIA does not vote proxies on behalf of advisory accounts. At the client's request, KIA may offer advice regarding corporate actions and the exercise proxy voting rights. Shares can only be voted by the client.

#### **Item 18**

##### **Financial Information**

This section is used to disclose certain financial information if KIA requires clients to pay advisory fees six months or more in advance. KIA does not require or solicit prepayment of more than \$1200 in fees more than six months in advance. KIA has not been the subject of a bankruptcy petition at any time in the past ten years.

## **Item 19**

### **Requirements for State-Registered Advisers**

KIA is an SEC Registered Investment Advisor.