



Advisor Select Program (Optional)

CLIENT SERVICES AGREEMENT FOR DISCRETIONARY ADVISOR-MANAGED ACCOUNT(S)

Account Number(s) (Home Office Only): _____

This Kovack Advisors Choice Advisor Select Client Services Agreement (“Agreement”), is made and entered into as of this _____ day of _____, 2010, by and among Kovack Advisors, Inc., a U.S. Securities and Exchange Commission (“SEC”) Registered Investment Advisor, its servicing Investment Advisor Representative (collectively identified herein as “Kovack Advisors”) and _____ (“Client”). By this Agreement, Client retains Kovack Advisors to provide investment management services on the following terms:

1. *Portfolio Management – Use of Discretion Authorized*

Kovack Advisors will perform portfolio management services for Client’s securities brokerage account(s) held through the securities brokerage firm of Kovack Securities, Inc., (“KSI”) on a fully disclosed basis as agreed to by the Client. Kovack Advisors shall have, in Kovack Advisors sole discretion and without first contacting the Client, the authority to buy, sell, or redeem securities in the Client’s account(s) in funds consisting of stocks, fixed income securities, options, managed funds, money market funds, CD’s and cash.

2. *Investment Objectives*

Client’s financial circumstances, investment objectives and any special instructions or limits that Client wishes Kovack Advisors to follow in managing the account(s) shall be provided within the Brokerage New Account Form and Investor Profile Questionnaire. Client agrees to notify Kovack Advisors promptly of any significant change in the information provided by the Client or any significant change in Client’s financial circumstances or investment objective that might affect the manner in which Client’s account(s) should be managed. Client also agrees to provide Kovack Advisors with such additional information as Kovack Advisors may request from time-to-time to assist in the management of the account(s).

3. *Custodial Arrangements*

Custody of Client’s assets will be maintained on a fully disclosed basis through KSI at an independent custodian established by the Client. At no time will KSI or Kovack Advisors have custody of any of Client’s assets. Client shall continue to have complete, free and clear ownership at all times of all securities, cash properly carried in their account(s), unless specifically directed otherwise by the Client in writing. Client is solely responsible for paying all fees or charges of the custodian. Client authorizes Kovack Advisors to give KSI instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for Client’s account(s). Client shall receive monthly account statements directly from the custodian showing all transactions occurring in the account(s) and funds, securities, and other property in the account(s) at the end of the period. On a quarterly basis, statements detailing the current status of the account(s) will be provided to the Client. Client authorizes KSI to provide Kovack Advisors with copies of all periodic statements, confirms and other reports for the Client account(s) sent by the custodian. In addition, upon selecting the option within the signature section of this Agreement, Client authorizes the custodian to send on a monthly or quarterly basis all trade confirmations within a single batch.

4. *Program Fees*

The annual fee for participation in the Program (the “Program Fee”) shall be a percentage (%) of the market value of the Assets under management in accordance with the fee schedule set forth in “Exhibit A”. The Program Fee shall be prorated and paid quarterly, in advance, based upon the market value of the Assets on the last



business day of the previous calendar quarter. All market values are calculated by the independent custodian. No increase in the Program Fee shall be effective without prior written notification by the Client.

Client hereby authorizes Kovack Advisors and the independent custodian of the assets to charge the account for the amount of the Program Fee and to remit such fee to the applicable securities broker/dealer (Kovack Securities, Inc., etc.) if necessary, in accordance with required SEC procedures. Specifically, the fee will be payable in advance on January 1st, April 1st, July 1st, & October 1st in any calendar year. Fees shall be paid via automatic withdraw from the Client's account(s). In any partial calendar quarter, the fee will be prorated based on the number of days that the account was open during the quarter.

The account fee will be determined by the custodian by valuing the securities in your account(s) that are listed on a national securities exchange or on NASDAQ at the closing price, on the valuation date, on the principal market where the securities are traded. Other securities or investments in the account(s) will be valued in a manner determined in good faith by the account custodian to reflect fair market value. Interest on any margin debt incurred by Client is in addition to the account(s) fee.

Kovack Advisors will not receive any performance bonuses. However, Client understands that account assets may be invested in shares of mutual funds which may be subject to additional fees and expenses as identified within the fund prospectus.

Payment of the fee will be reflected on Client's statement(s). Accounts that belong to the same household may be grouped for the purpose of determining account fees. Account Fees do not include any fees for products and services that are not part of the account(s). To the extent that Client utilizes such products or services, Kovack Advisors, KSI, its affiliates, and its employees may receive additional compensation.

5. *Tax Considerations & Proxy Voting*

Client recognizes that dividends, capital gains, transfers and sales of mutual funds may create a taxable event for them unless their account is a qualified retirement account. Kovack Advisors does not offer legal or tax advice and it is the Client's responsibility to consult with a legal or tax advisor as the Client sees fit. Unless otherwise mutually agreed in writing, Kovack Advisors will on a best efforts basis respond to proxies that are solicited with respect to annual or special meetings of shareholders securities held in the account(s). Proxy solicitation materials may be forwarded to Client for response and voting.

6. *Aggregation*

Transactions for each Client account generally will be effected independently, unless Kovack Advisors decides to purchase or sell the same securities for several clients at approximately the same time. Kovack Advisors may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Kovack Advisors clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and transaction costs and will be allocated among Kovack Advisors clients in proportion to the purchase and sale orders placed for each client account for any given trade.

7. *Non-Exclusive Agreement*

It is understood that Kovack Advisors renders investment management services for numerous clients with a variety of different investment objectives. As a result, Client recognizes that their investment objectives may be different and therefore Kovack Advisors is not obligated to purchase or sell for, or to recommend the purchase or

sale to, any client any security which Kovack Advisors may purchase or sell for or recommend to the account(s) of any other client. Client recognizes that transactions in a specific security may not be accomplished for all client accounts at the same time or at the same price.

8. *Retirement or Employee Benefit Plan Accounts*

This Section 8 applies if the account(s) is/are for a (i) pension or other employee benefit plan (including a 401(k) plan) governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”); (ii) tax-qualified retirement plan (including a Keogh plan) under Section 401(a) of the Internal Revenue Code of 1968, as amended (“the Code”), and not covered by ERISA; or (iii) an individual retirement account(s) (“IRA”) under section 408 of the Code. If the account(s) is/are for a plan subject to ERISA, Client appoints Kovack Advisors, and Kovack Advisors accepts its appointment, as an “investment manager” for purposes of ERISA and the Code, and Kovack Advisors acknowledges that it is a “fiduciary” within the meaning of Section 3(21) of ERISA and Section 4975(e)(3) of the Code (but only with respect to the provisions of services in Section 1 of this Agreement). Client represents that Kovack Advisors has been furnished true and complete copies of all documents establishing and governing the plan and evidencing Client’s authority to retain Kovack Advisors. Client will furnish promptly to Kovack Advisors any amendments to the plan, and Client agrees that, if any amendment affects the rights or obligations of Kovack Advisors, such amendment will be binding on Kovack Advisors only when agreed to by Kovack Advisors in writing. If the account(s) contains only a part of the assets of the plan, Client understands that Kovack Advisors will have no responsibility for the diversification of all of the plan’s investments, and that Kovack Advisors will have no duty, responsibility or liability for Client assets that are not in the account(s). If ERISA or other applicable law requires bonding with respect to the assets in the account(s), Client will obtain and maintain at its expense bonding that satisfies this requirement and covers Kovack Advisors and its affiliated persons.

9. *Liability*

Realizing that fluctuations in security prices occur, Client agrees to not hold Kovack Advisors or KSI liable for losses sustained in the their account(s). In addition, Client agrees that, in the absence of fraud, willful misconduct, or willful negligence on the part of Kovack Advisors or KSI, Kovack Advisors or KSI shall not be liable in any way whatsoever for any recommendations given or actions taken or not taken with respect to the portfolio assets of Client. Kovack Advisors shall not be responsible for any loss incurred by reason of any act or omission of Client, any custodian, or any brokerage firm. Client does not waive any rights under the Investment Advisors Act of 1940. However, Client understands that profits cannot be assured on any transaction, and neither the Advisor’s acceptance of a Client’s investment objectives nor any other provision of this Agreement shall be considered a guarantee that the overall investment effort will be profitable or any specific result will be achieved. It is further understood that Kovack Advisors is acting as the agent of the Client and all securities and other assets in the account(s) are held, purchased and sold solely at and for the risk of Client. Kovack Advisors shall not be liable or responsible for any act or failure to act of any broker, bank or similar agent utilized by Kovack Advisors effecting any transaction on Client’s behalf, or for the financial solvency of any such broker, bank or agent.

10. *Client Authority*

If Client is an individual, Client represents that he or she is of the age of majority and that there are no circumstances or reasons which would affect the Clients authority to enter into this Agreement. If Client is a corporation, the person signing this Agreement for the Client represents that he or she has been authorized to do so by appropriate corporate action. If this Agreement is entered into by a trustee or fiduciary, the trustee or fiduciary represents that Kovack Advisors investment management strategies, allocation procedures, and investment management services are authorized under the applicable plan, trust, or law and that person signing this Agreement has the authority to negotiate and enter into the Agreement. Client agrees to inform Kovack Advisors of any event which might affect this authority or the propriety of this Agreement.

11. Correspondence & Amendments

The address of record in your copy of the Form ADV Part II for Investment Adviser Registration should be used for all correspondence. As of the date of this Agreement, the address is: Kovack Advisors, 6451 North Federal Highway, Ste. 1201, Fort Lauderdale, Florida 33308. Kovack Advisors, upon prior written notice, may amend this Agreement and pursuant to Rule 204-3 of the Investment Advisors Act of 1940, Kovack Advisors will annually offer to deliver, without charge, Form ADV, Part II, as filed with the SEC.

12. Severability & Assignment

It is understood by the parties hereto that if any term, provision, duty, obligation, or undertaking herein contained is held by the courts to be unenforceable or illegal or in conflict with the applicable state law, the validity of the remaining portions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if such invalid or unenforceable provision was not contained herein. This Agreement cannot be assigned or transferred in any manner by any party without consent by all parties receiving or rendering services under the Agreement.

13. Termination of Agreement

This Agreement shall become effective on the date listed on the signature page of this Agreement and shall continue to remain in effect until terminated by either party upon written notice to the other party.

14. Governing Law

This Agreement will be governed by and construed in accordance with the laws of the State of Florida, provided that nothing in this Agreement will be construed in any manner inconsistent with the Investment Advisors Act of 1940, or any rule or order of the SEC under the Investment Advisors Act of 1940.

15. Arbitration

This Agreement contains a pre-dispute arbitration clause. By signing and agreeing to this arbitration agreement, the parties hereby agree as follows:

- a) All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- b) Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- c) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- d) The arbitrators do not have to explain the reason(s) for their award.
- e) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
- f) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- g) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.

All controversies that may arise between us (including, but not limited to controversies concerning any account(s), order or transaction, or the continuation, performance, interpretation or breach of this or any other agreement between us, whether entered into or arising before, on or after the date this account is opened) shall be determined by arbitration in accordance with the rules then prevailing of the Financial Industry Regulatory Authority (FINRA). Client(s) understand(s) that judgment upon any arbitration award may be entered in any court of competent jurisdiction.

No person shall bring a punitive or certified class action to arbitration, nor seek to enforce any Pre-Dispute Arbitration Agreement against any person who has initiated in court a punitive class action; or who is a member of a punitive class action who has not opted out of the class with respect to any claims encompassed by the punitive class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.

16. *Disclosure Statement*

The Client hereby acknowledges receipt of a copy of the written Disclosure Statement of Kovack Advisors and Part II of Form ADV (Uniform Application for Investment Advisor Registration), together with a copy of the corresponding Schedule “H” to Form ADV which discusses important information pertaining to the terms and conditions of the Program.

Client further acknowledges that he/she/it has had a reasonable opportunity to review and discuss said Disclosure Statement, Form ADV Part II and Schedule “H” with professionals of choosing, prior to the execution of this Agreement. Any Client who has not received a copy of Kovack Advisors’ Disclosure Statement has at least 48 hours prior to execution of this Agreement shall have 5 business days from the date of execution of the Agreement to terminate Kovack Advisors’ services without penalty.

“Exhibit A”

Fee Schedule Election (Tiered or Flat may be selected for each account – Not Both):

Client Name(s)		Tiered	Flat
1. _____ _____ _____	First \$250,000	_____ %	_____ %
	Next \$250,000	_____ %	
	Thereafter	_____ %	
2. _____ _____ _____	First \$250,000	_____ %	_____ %
	Next \$250,000	_____ %	
	Thereafter	_____ %	
3. _____ _____ _____	First \$250,000	_____ %	_____ %
	Next \$250,000	_____ %	
	Thereafter	_____ %	
4. _____ _____ _____	First \$250,000	_____ %	_____ %
	Next \$250,000	_____ %	
	Thereafter	_____ %	
5. _____ _____ _____	First \$250,000	_____ %	_____ %
	Next \$250,000	_____ %	
	Thereafter	_____ %	

Please list any existing accounts that should be linked for Household performance reporting purposes:

Account Number(s)
1. _____
2. _____
3. _____
4. _____
5. _____



CLIENT HEREBY ACCEPTS THE TERMS AND CONDITIONS OF THIS AGREEMENT AND UNDERSTANDS THAT THIS AGREEMENT CONTAINS A PRE-DISPUTE ARBITRATION CLAUSE (PARAGRAPH 15) AND A CHOICE OF LAW PROVISION (PARAGRAPH 14).

Client Name(s) (from pg.1):

(Print)

By: (Print Name)

By: (Print Name of Joint Client (if any))

(Signature)

Date:

(Signature of Joint Client (if any))

Date:

(If Fiduciary, Title)

(If Fiduciary, Title)

For Investment Advisor Representative and Kovack Advisors Home Office Use Only

Investment Advisor Representative
(Print Name)

Rep Number

OSJ/Branch Supervisor
(Print Name)

(Signature)

Date:

(Signature)

Date:

Investment Advisor Representative
(Print Name)

Kovack Advisors Principal
(Print Name)

(Signature)

Date:

(Signature)

Date: