

Item 1 Cover Page

The Karras Company ADV Part 2 Firm Brochure

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This brochure provides information about the qualifications and business practices of The Karras Company (Karras or the Firm). If you have any questions about the contents of this brochure, please contact us at 801-825-3000 or brett.karras@raymondjames.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Registered Investment Advisor does not imply a certain level of skill or training.

Additional information about Karras is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

Our firm brochure has been modified from its previous version and contains new information for the benefit of our clients. In this summary, we discuss only the material changes since the last annual update of this brochure on March 9, 2011.

- Redesign - The Securities and Exchange Commission (SEC) recently published amendments to the rules for firm brochures. This brochure is redesigned in narrative format and is materially different in its structure. This brochure also contains new information now required by the SEC's new rules.

We suggest that all of our clients review this document, in its entirety, upon receipt. We also encourage our clients to review this brochure, and pose any questions they may have to their Financial Advisor.

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Item 4 Advisory Business

Our Firm's History

The Karras Company (Karras or the Firm) is entering its 15th year of operation. Karras currently has \$758,000,000 in assets under management.

Karras provides financial planning and investment advisory services to select individual clients, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, or business entities. Karras gives continuous advice to a client or makes investments for a client based on the individual needs of the client. Through personal discussions, Karras develops goals and objectives based upon a client's investment time horizon and risk tolerance, as well as their core financial related values. Karras assists the client in developing the client's personal investment policy, and then creates and manages a portfolio based on that policy.

Karras is an investment adviser registered with the SEC.

Our Principal Owners

The principal owners of the Firm are Brett Nolan Karras, President, and Nolan Eldon Karras, Chairman. Brett has been with Karras since 2004, and Nolan established the firm in 1997.

Financial Planning Services

Karras offers financial planning services, which may include a review of all aspects of a client's current financial situation, including the following components: cash management, risk management, insurance, education funding, goal setting, retirement planning, estate and charitable giving planning, tax planning, and capital needs planning. Karras meets with the client to review risk tolerance, financial goals and objectives, and time horizons. Additional meetings may include a review of additional financial information; sources of income, assets owned, existing insurance, liabilities, wills, trusts, business agreements, tax returns, investments, and personal and family obligations.

Financial planning services may be comprehensive, or may focus on certain components. When Karras is engaged to address only certain components, clients understand that their overall financial and investment issues may not be taken into consideration. Karras may or may not charge a separate fee for financial planning services.

The financial plan may include both long and short-term considerations, depending upon the individual scenario. Karras provides the client with recommendations that are found to be compatible with the client's stated goals and objectives. The client is under no obligation to utilize additional services of Karras and its representatives and is under no obligation to implement the advice or plan. Clients may choose all or certain components of advice and recommendations and can implement the recommendations through the service providers of their choice.

Institutional Consulting Services

Karras provides consulting services to trusts, pension and profit sharing plans, trusts, corporations and entities, including:

- develop/maintain written investment policy, guidelines and objectives
- strategic policy and asset/style allocation, asset/liability modeling
- manager selection, due diligence, and research
- quarterly investment performance measurement reports
- quarterly investment portfolio analysis and performance attribution
- annual investment manager research and evaluation reports
- custodial searches
- trustee education
- fiduciary audit support

Types of Investments Upon Which Advice is Offered

Karras offers advice on:

Equity securities:

- exchange listed securities
- securities traded over-the-counter
- foreign issuers

Corporate debt securities (other than commercial paper)

Commercial paper

Certificates of Deposit (CDs)

Municipal securities

Investment Company securities:

- variable life insurance

- variable annuities

- mutual fund shares

United States government securities

Option contracts on securities

Interests in partnerships investing in:

- real estate

- oil and gas interests

- equipment leasing

- publicly traded partnerships

Alternative Investments

Pre-paid Variable Contracts

Karras will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. Investment strategies may include long-term and short-term purchases depending upon the individual needs of the client. Karras uses asset allocation, or spreading investments among a number of asset classes and sectors (domestic stocks vs. foreign stocks; large cap stocks vs. small cap stocks; corporate bonds vs. government securities) for most client accounts as well as mutual funds.

Stock and Mutual funds will be selected on the basis of any or all of the following criteria: The stock/funds' performance history; the industry sector in which the fund invests; the track records of the fund's manager; the fund's investment objectives; management style and philosophy; and management fee structure. Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances.

Non-Participation in Wrap Fee Programs

Karras does not participate in wrap fee programs. This area is not applicable to our firm.

Amount of Assets Under Management

The amount of client assets Karras manages on a discretionary basis, as of February 6, 2012: \$33,823,840

The amount of client assets Karras manages on a non-discretionary basis, as of February 6, 2012: \$724,849,730.80

Item 5 Fees and Compensation

Advisory Services

Karras is compensated for advisory services through the IMPAC program, Freedom UMA program, and retainer fees with Institutional Clients, hourly charges, fixed fees, and commissions.

In certain circumstances, fees, account minimums, and payment terms may be negotiable.

Related accounts may be linked for purposes of fee calculation if all parties agree; meaning certain accounts, approved by Karras, may be grouped for fee calculations.

The fees charged are calculated as described below 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.

IMPAC Program

For fee-based accounts, Karras uses IMPAC. IMPAC is a fee based account, offered and administered through Raymond James Financial Services (RJFS). The firm will manage the account on a discretionary or non-discretionary basis, according to the client's objectives. The minimum account size for IMPAC is \$25,000. Management fees are negotiable, but the following schedule will be used as a guideline:

Fee Schedule for IMPAC:

Account Value	Annual Fee
Under \$1,000,000	1.00%
Between \$1,000,000 and \$5,000,000	0.85
Between \$5,000,000 and \$10,000,000	0.75
Over \$10,000,000	Negotiable

Asset-based fees are deducted directly from client accounts quarterly, in arrears, as outlined the in the Investment Advisory agreement. The initial asset-based fee will be calculated from the date of the agreement, or when the account is funded, to the end of the quarter. Subsequent fees will be based upon the total asset value of the account on the last day of the quarter for the previous quarter. Client authorized and directs Raymond James & Associates (RJA) as Custodian to send a statement at least quarterly to the client which show all amounts disbursed from the client's account, including fees paid to Karras. Client understands that the brokerage statement will show the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated.

The IMPAC program has a nominal Processing Fee for the execution of each trade, as follows:

Security Type	Processing Fee
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Exchange Traded Equities: Listed and OTC	\$30
Closed End Mutual Funds	\$30
Exchange Traded Funds	\$30
Stock: Listed and OTC	\$30
Mutual Funds	\$30
Preferred Stocks	\$30
Options	\$50
Bonds	\$50

In addition to the foregoing transaction charge, the client will incur a charge in the amount of \$4.95 per transaction for handling and postage charges. The client may also incur charges for other account services provided by RJA not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

The agreement may be terminated by the client or Karras at any time. There is no penalty for terminating the client's account. The client may be charged a fee according to the number of days the account was managed for the current quarter.

Freedom Unified Managed Account (UMA)

For separately managed accounts, Karras uses Freedom UMA. The Freedom UMA program retains RJA to establish accounts in the program and to provide certain asset allocation investment strategies, advisory, brokerage and other services to the clients. Asset Management Services (AMS) in RJA develops strategies and target allocations and monitors and selects portfolio managers and mutual funds in the strategies. The client pays RJA an annual asset based fee, which includes compensation paid to Karras, portfolio managers, and RJA. The minimum account size for Freedom UMA is \$300,000. Management Fees are negotiable, but the following schedule will be used as a guideline:

Fee Schedule for UMA:

Account Value	Annual Fee
First \$500,000	2.50%
Next \$500,000	2.00%
Next \$1,000,000	1.60%
Next \$3,000,000	1.40%
Next \$5,000,000	1.30%
Amounts over \$10,000,000	Negotiable

Fees are deducted from client accounts quarterly, in advance. RJA will provide client with a statement not less than quarterly, which shows all amounts disbursed from account. The initial fee will be calculated from the date of the agreement or when account is funded, to the end of the quarter. Subsequent fees will be based upon the total asset value of the account at the end of the previous quarter.

The program may be terminated by the client or Karras at any time upon providing written notice pursuant to the provisions program. There is no penalty for terminating the client's account. If the advisory contract is terminated before the end of the billing period, a refund of the prepaid fee will be calculated. The refund is ratably based upon the number of calendar days remaining after the termination date in the period as to which fees have been prepaid.

Karras assists the client in selecting the appropriate investment strategy in the UMA program, based upon the client's financial needs and investment objectives.

All above quoted fees may be negotiated within the stated fee schedule; however certain circumstances may dictate an exception from the set range.

Institutional Clients

Institutional Consulting clients are charged an annual retainer fee, ranging up to \$50,000. Fees are paid quarterly in arrears.

Hourly Charges, Fixed Fees, and Commissions

Karras has set a standard rate of \$250 an hour for consulting or financial planning. On a project-oriented basis or other terms that are applicable, the standard rate could be higher.

How Fees are Paid

IMPAC fees are deducted directly from client accounts quarterly, in arrears. The initial asset-based fee will be calculated from the date of the agreement, or when the account is funded, to the end of the quarter. Subsequent fees will be based upon the total asset value of the account on the last day of the quarter, for the previous quarter.

Freedom UMA fees are deducted directly from client accounts quarterly, in advance. The initial asset-based fee will be calculated from the date of the agreement, or when the account is funded, to the end of the quarter. Subsequent fees will be based upon the total asset value of the account of the last day of the quarter.

Additional Fees or Expenses Paid in Connection with Advisory Services

All fees paid to Karras for investment advisory and financial planning services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. Mutual fund expenses are generally described in each fund's prospectus. These expenses will generally include a management fee, other fund expenses, and possibly a distribution fee. In addition, mutual funds incur transaction costs and opportunity costs, which are not disclosed in the funds' prospectus or Statement of Additional Information, but which may be estimated.

Clients will incur transaction fees or commissions in connection with trading of mutual fund, EFT, individual stock and bonds (and/or principal mark-ups and mark-downs for principal trades), which are charged by the custodian (brokerage firm holding safekeeping of the clients assets). Mutual fund transaction fees charged by our recommended broker/custodian, Raymond James Financial Services, generally vary from \$30 to \$40 for each purchase and sale transaction. Accordingly, the client should review the fees charged by the fund, the transaction fees charged by the custodian, as well as the fees charged by Karras, to fully understand the total amount of fees and costs paid by the client, in connection with any recommended transaction. Please refer to Item 12 for a discussion on recommended brokers.

Effective March 1, 2011 select fund companies have agreed to pay RJFS administrative fees in consideration for RJFS' waiver of the above \$30 Processing Fee on certain mutual fund purchases ("Participating Funds"). You may request a list of Participating Funds from your Investment Adviser Representative. In addition to the forgoing transaction charge, Client may incur a nominal charge per transaction for handling and postage.

Clients may also incur account termination fees upon the transfer of an account from one brokerage firm (custodian) to another. The range for these account termination fees is believed to range generally from \$0 to \$100 at present, but at times may be higher. Clients should contact their custodians (brokerage firms, bank or trust companies, etc) to determine the amount of account termination fees which may be charged and deducted from their accounts for any existing accounts which may be transferred.

Comparable Services

Karras believes that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources. A client could invest in mutual funds directly, without the services of Karras. In that case, the client would not receive the services provided by Karras which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives.

IMPAC clients:

IMPAC clients should understand that the annual advisory fees charged in the IMPAC program are in addition to the management fees and operating expenses charged by open-end, closed-end and exchange-traded funds. If a client intends to hold fund shares for an extended period of time, it may be more economical for the client to purchase fund shares outside of this program. Clients may be able to purchase mutual funds directly from their respective fund families without incurring Karras' advisory fee. When purchasing directly from fund families, clients may incur a front- or back-end sales charge.

For non-IRA/ERISA IMPAC accounts, the client's Investment Adviser Representative (IAR) may elect to absorb all or a portion of the Processing Fee. Certain open-end mutual funds which

may be acquired by clients may internally assess a distribution fee pursuant to section 12(b)-1 of the Investment Company Act of 1940, or an administrative or service fee ("trail"). Such fees are included in the calculation of operating expenses of a mutual fund and are disclosed in the fund prospectus. However, if the IAR elects to absorb the processing fees in non-IRA/ERISA accounts, they may also elect to receive trails paid by the fund company, if any, to defray the cost of the processing fees they absorb. If such an election is made, there may be a conflict of interest where the IAR may have an incentive to absorb all of the processing fees in consideration of the actual or anticipated trails they will receive.

Clients should also understand that the shares of certain mutual funds offered in this program may impose short-term trading charges (typically 1%-2% of the amount originally invested) for redemptions generally made within short periods of time. These short-term charges are imposed by the funds (not Karras) to deter "market timers" who trade actively in fund shares. Clients should consider these short-term trading charges when selecting the program and/or mutual funds in which they invest. These charges, as well as operating expenses and management fees, are available in each fund's prospectus.

Clients should also understand that certain no-load variable annuities may be offered in the IMPAC program and may be charged an advisory fee. The annual advisory fees charged for these no-load variable annuities are in addition to the management fees and operating expenses charged by the insurance companies offering these products.

Clients should also understand that more sophisticated investments such as short sells and margins may be offered in the IMPAC program. Fees for advice and execution on these securities are based on the total asset value of the account. While a negative amount may show on a client's statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where an IAR may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

A client's total cost of each of the services provided through this program, if purchased separately, could be more or less than the costs of each respective program. Cost factors may include the client's ability to:

- obtain the services provided within the programs separately with respect to the selection of mutual funds,
- invest and rebalance the selected mutual funds without the payment of a sales charge, and
- obtain performance reporting comparable to those provided within each program.

When making cost comparisons, clients should be aware that the combination of multiple mutual fund investments, advisory services, custodial and brokerage services available through each program may not be available separately or may require multiple accounts, documentation and fees. If an account is actively traded or the client otherwise may not qualify for reduced sales charges for fund purchases, the fees may be less expensive than separately paying the sales

charges and advisory fees. If an account is not actively traded or the client otherwise would qualify for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

Karras believes the charges and fees offered within each fee-based program are competitive with alternative programs available through other firms and/or investment sources, yet makes no guarantee that the aggregate cost of a particular program is lower than that which may be available elsewhere.

Cash Rule Conflict

Participants in the IMPAC program with cash or money market investments which exceed 20% of the total market value of client's account at the time of billing will be included for fee purposes only if the account did not exceed 20% in cash or money market investments at the end of the previous quarter. Otherwise the balance in excess of 20% will not be included in the value of Client's account for fee purposes. This fee billing provision is intended to equitably assess advisory fees to client assets for which an ongoing advisory service is being provided, and the exclusion of excess cash from the advisory fee is intended to benefit clients holding substantial cash balances (as a percentage of the total individual account value) for an extended period of time. However, this provision may pose a financial disincentive to an IAR, as the portion of cash or money market investments will not be included in the asset-based fee charged to the account. This may cause an IAR to reallocate a client account from cash or money market investments to advisory fee eligible investments in order to avoid the application of this provision and therefore receive a fee on the full asset value in a client's account(s).

Additional Disclosures

Investment of Cash Reserves

With respect to cash reserves of advisory Client accounts, the custodian of the account assets will determine where cash reserves are held. The custodian may offer one or multiple options to different account types (such as non-taxable and managed accounts). In addition, the custodian may, among other things, consider terms and conditions, risks and features, conflicts of interest, current interest rates, the manner by which future interest rates will be determined, and the nature and extent of insurance coverage (such as deposit protection from the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation). The custodian may change an investment option at any time by providing the Client with thirty (30) days advance written notice of such change, modification or amendment. Cash Sweep Options include Raymond James Bank Deposit Program (RJBDP), Client Interest Program (CIP), Eagle Class - JPMorgan Prime Money Market Fund, Eagle Class - JPMorgan Tax Free Money Market Fund, and Raymond James Bank with Check Writing.

Where an unaffiliated third party acts as custodian of account assets, Client and/or the custodian will determine where cash reserves are held.

Cash balances arising from the sale of securities, redemptions of debt securities, dividend and interest payments and funds received from customers are invested automatically on a daily basis. When securities are sold, funds are deposited on the day after settlement date. Funds placed in a Client's account by personal check usually will not be invested until the second business day following the day that the deposit is credited to the Client's account. Due to the foregoing practices, RJA may obtain federal funds prior to the date that deposits are credited to Client accounts and thus may realize some benefit because of the delay in investing such funds.

Freedom UMA:

For the purposes of determining asset-based fees, managed accounts that meet the criteria for related accounts will be combined among classes of accounts to determine if a lower fee will apply. Classes of accounts are Equity (which includes Equity, Balanced and Convertible), Premium Income, and Fixed Income. Thus, aggregated accounts which fall within a particular class will be combined for fee purposes so that each account will pay a fee which is calculated on the basis of the total of all aggregated accounts in that class. Further, Premium Income accounts will be added to Equity accounts to determine the Equity account fees. (However, the reverse will not apply.)

"Related" accounts are accounts of an individual, his or her spouse, and their children under the age of 21, and includes individually owned accounts, individual IRAs, self-directed accounts (i.e.: directed by individual participants) under an employee benefit pension plan ("ERISA" plan"), and ERISA plans which an individual is the sole participant.

Certain open end mutual funds (which may be acquired in account) may in addition to assessing management fees, assess other internal expenses such as distribution fees, shareholder service and/or 12b-1 fees, administrative fees and other expenses. If Raymond James receives shareholder service and/or 12-b1 fees from funds, client should understand that they will receive a credit to account in an amount equal to such fees received from the funds. These fees are included in the calculation of operating expenses of a fund and are disclosed in the fund prospectus.

Client should understand that the annual asset-based fee charge in account is in addition to the management fees and operating expenses charged by funds. If the client intends to hold fund shares for an extended period of time, these internal fund expenses should be added to the annual asset-based fee charged to account when evaluating the costs of UMA. In addition, certain mutual fund families impose short-term trading charges (typically 1% to 2% of the original amount invested) which are generally not waived for fee-based accounts.

Freedom UMA fees are deducted from client accounts quarterly, in advance. If the Freedom UMA advisory contract is terminated before the end of the billing period, a refund of the prepaid fee will be calculated. The refund is ratably based upon the number of calendar days remaining after the termination date in the period as to which fees have been prepaid.

Institutional Clients:

Institutional Clients are billed a quarterly fee, in arrears. The client's send a check for the amount billed. In addition to the quarterly fee, these clients pay Karras for expenses incurred during the respective quarter. These expenses include paper, binding, shipping charges, and traveling expenses for Karras.

Proper Management of Conflicts of Interest

Some of our client's pay Karras fees based upon a percentage of the assets we advise upon. This is a very common form of compensation for registered investment advisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation. Any advice that increases assets under our management will increase the management fee, and any advice that decreases assets under our management decreases the management fee. We strive to maintain a high degree of objectivity and to ensure that our advice is not based on these considerations. However the potential for conflict of interests exists and clients must be aware of that fact as they consider our recommendations. We have adopted internal policies to properly manage these and other potential conflicts of interest. Our goal is that our advice to you remains at all times in your best interest, disregarding any impact of the decision upon our firm.

Item 6 Performance-based fees and Side-by-side Management

Karras does not charge fees based on performance.

Item 7 Types of Clients

Karras generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, or business entities other than those listed above.

Karras requires new clients to have \$250,000 in assets under management. Also, clients must be at age of majority to open an account with Karras.

Item 8 Method of Analysis, Investment Strategies and Risk of Loss

Generally

Karras provides an investment strategy and its implementation for all clients, utilizing a variety of stock securities or securities pooled investment vehicles (such as mutual funds). Clients of Karras receive the benefit of Karras' developed investment philosophies and strategies, research and due diligence, account monitoring and personal financial planning recommendations.

Expansive academic research, investment information, and certain proprietary analyses are drawn up by Karras, in order to provide innovative investment advisory services. Each of Karras' clients receives a written Portfolio Recommendation, which sets forth a recommended strategic asset allocation. Karras' philosophy is to bring the client's over-all portfolio volatility down.

Specific stocks, mutual funds and other investment products and securities are then recommended to clients. Client's portfolios are then periodically monitored and changes to investment portfolios are suggested when appropriate. A disciplined approach to rebalancing is employed in order to maintain asset class exposures within desired risk tolerances, subject to variances permitted for tax reductions, tax planning or other reasons.

Methods of Analyses and Investment Strategies

Karras' methods of analyses include stock research which applies Fundamental analyses. Fundamental analyses involve analyzing the characteristics of a company in order to estimate its value. Karras' methods also include a Technical analysis, which involves price movements in the market.

In designing investment plans for clients, Karras relies upon the information supplied by the client and the client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management planning, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk.

This information becomes the basis for the strategic asset allocation plan which we believe will best meet the client's stated long term personal financial goals. The strategic asset allocation (based on historical data and Karras analysis) will possess attractive combinations of long term purchases, short term purchases, trading, short sales, margin transactions, and option writing, including covered options, uncovered options or spreading strategies.

A tremendous amount of research reveals that strategic asset allocation is determinative of the majority of the expected long-term gross returns of investor's portfolios. Karras' investment approach is firmly rooted in the belief that markets are fairly efficient (although not always rational) and that investors' gross returns are determined principally by asset allocation decisions. Karras focuses on providing diversified portfolios, principally through the use of stocks and stock mutual funds.

Investment policy and overall portfolio weightings as between equities and fixed income investments are based upon each client's needs and desires, perceived risk tolerance and the need to assume various risks, and investment time horizon. The portfolios of clients may then follow models designed by Karras to fit the overall weightings of equities (stocks, stock mutual funds, etc) and fixed income investments (notes, bonds, bond funds, CDs, etc) in an investor's portfolio. Karras analyzes the objectives of the client; the absolute need for liquidity, income,

growth of income, growth of principal, and preservation of capital. Karras balances all of these needs and helps clients develop an investment strategy that will maximize the probability of achieving those needs. The client's investment objectives also consider the rate of inflation. Based on the portfolio's assets liability structure and spending requirements, Karras assists in establishing return objectives.

Sources of Information

Our security analysis is based upon a number of factors including those derived from financial newspapers and journals, research materials, securities rating services, annual reports, prospectuses, filings with the SEC, company press releases, commercially available software technology containing fundamental and technical analyses, general economic and market and financial information, due diligence reviews and specific investment analyses that clients may request. The main sources of information include commercially available investment information and evaluation services, financial newspapers and journals, academic papers and periodicals. Prospectuses, statements of additional information, and data aggregation services (Morningstar Advisor, etc) are also utilized. Karras also attends various investment and financial planning conferences.

Research is also received from consultants, including financial economists affiliated with Raymond James Financial Services. RJFS provides historical market analysis, risk/return analysis, and continuing education services. Various computer software programs from RJFS and from other third parties may also be utilized to better model the historical and/or expected returns of designed portfolios.

Types of Investments

Each client typically receives an investment portfolio which consists mainly of stocks and of no-load stock and bond mutual funds. Some investment portfolios may also include individual fixed income investment (bonds, CD's, etc) and/or bond funds. For clients with a substantial fixed income allocation, Karras generally recommends a combination of bond funds and individual fixed income investments, with recommended actual investments dependent upon Karras' views of the risk/return relationship for various forms of fixed income investment or bond funds.

Client portfolios may also include some individual equity securities. Publicly traded real estate investment trusts (REITS) and commodities index or passive mutual funds or ETFs may be recommended for certain clients who desire to include real estate or commodities in their asset allocation strategy.

Insurance products such as annuities and various types of life insurance products may also be evaluated. Recommendations may be undertaken to clients to invest in low-cost, no-load (no commission) variable or fixed deferred or immediate annuities when appropriate to the circumstances and tax situation of the client. More often this occurs when a client possesses an

existing high-cost variable annuity, and a rollover of the annuity is indicated rather than a redemption for tax planning purposes, in order to seek to lower the total fees and costs paid by the client and/or provide different investment choices. At times clients may be advised to retain an existing annuity, previously purchased by the client, or undertake partial or full surrenders of same (and/or tax-free exchanges), following an evaluation of the annuity contract, riders thereto, investment alternatives within the annuity and their fees and costs, including any surrender fees which may be imposed by the insurance company.

New clients' existing investments are evaluated in light of the desired investment policy objectives. We work with new clients to develop a plan to transition from a client's existing portfolio to the desired portfolio. Investment advice may be offered on any investment held by a client at the start of the advisory relationship. Each client's portfolio holdings and strategic asset allocation are then monitored periodically, taking into account the cash flow needs of the client. Review meetings with clients are held regarding either investment assets under advisement and other personal financial planning issues.

Risk of Loss

Investing in securities involves a risk of loss that clients should be prepared to bear. The investment recommendations seek to limit risk through broad global diversification in equities (though broadly diversified stock mutual funds and/or separate account management programs) and investment in high quality fixed income securities or diversified bond funds.

However, the investment methodology will still subject the client to decline in the value of their portfolios, which can at times be dramatic. We believe there exists a high probability in most market environments of a long-term (15 year or greater) outperformance of small cap and value stocks, relative to large cap and growth stocks, and hence the stock (equities) portion of an investor's portfolio may be tilted toward small cap and value stocks. Accordingly, the normal greater expected return of the equity portion of the portfolio will in turn often permit the overall allocation to equities (stocks, stock mutual funds) to be reduced, and the allocation to fixed income investments increased. Karras believes this is the best manner to temper the shorter-term volatility of the stock market, especially for clients who derive cash flow from their portfolios (such as clients who are in retirement years).

Karras' investment philosophy is best suited for investors who desire a buy and hold strategy for substantial portion of their funds. Karras stock mutual fund strategies are usually appropriate for clients possessing an investment time horizon of a minimum of ten years, and preferably even longer. Even then, investing is inherently uncertain as to future returns. Karras does not engage in market timing activities. Karras believes the equity, value and small cap effects are highly likely to occur in the future, over long periods of time. While Karras seeks to reduce non-compensated risks to which a client may be exposed, other risks (including but not limited to the risk of a general stock market decline) may be assumed in order to seek to attain the client's longer-term goals and objectives; however, Karras cannot provide any guarantee that the client's goals and objectives will be achieved.

Karras at times may recommend the purchase individual common stocks, and clients may at times desire to retain certain existing holdings, or to purchase same. Reasons for client's desires might include emotional ties to the stock and/or the presence of substantial unrealized capital gains or other reasons. When individual common stocks (and related types of securities, such as American Depositary Receipts) are held in a client's investment portfolio, the client remains exposed to specific company risks.

Individual U.S. government, government agency, AAA rated and AA rated corporate and municipal bonds may be recommended to clients. All bonds bear risk of default and such bonds generally possess somewhat higher risks. Karras undertakes annual due diligence on all corporate and municipal bond issuers.

While all Certificates of Deposits (CDs) are FDIC insured, the pricing of certain of these CDs, which trade in the secondary market can vary due to price declines and/or transaction costs associated with trading, these CDs could lose value if redeemed prior to maturity. When CDs are recommended to clients, it is our intent that clients hold the CDs to maturity.

Cash Balances in Client Accounts

Cash in clients' investment accounts are typically swept into Raymond James Bank Deposit Program (RJBDP), Client Interest Program (CIP), Eagle Class - JPMorgan Prime Money Market The KaFund, and Eagle Class - JPMorgan Tax Free Money Market Fund, and Raymond James Bank with Check Writing. Karras discusses with each client, during reviews and at other times, upcoming cash flow needs and seeks to plan accordingly to meet those needs. While it is not the practice to encourage clients to maintain a large amount of cash in their accounts, such may be undertaken at the request of the client.

Additionally, smaller cash amounts may be maintained in order to facilitate billing of Karras' periodic fees, which may possess the effect of slightly reducing the portfolio's returns in periods when overall positive returns occur in the portfolio in excess of the interest rate paid on cash or cash equivalent deposits.

Item 9 Disciplinary Information

Karras has no disciplinary history.

Item 10 Other Financial Industry Activities and Affiliations

Karras is a financial advisor, as designated by the client, who is registered as an independent investment adviser representative affiliated with Raymond James Financial Services, Inc (RJFS). RJFS is a registered broker-dealer with the Securities and Exchange Commission and are corporate affiliates of RJA. RJA, RJFSA and RJFS will be collectively referred to as Raymond James or RJFS.

From time to time, RJFS may offer production-based incentives such as the ability to attend industry-related conferences or other benefits; however, Karras does not believe that such incentives impair Karras' independence.

Karras may have the opportunity to receive traditional "non-cash benefits" from RJFS such as customized statements; receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk servicing RJFS Advisors exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; access to an electronic communication network for client order entry and account information; access to mutual funds which generally require significantly high minimum initial investments or those that are otherwise only generally available to institutional investors; reporting features; receipt of industry communications; and perhaps discounts on business-related products.

Karras may have a financial incentive to recommend a fee-based advisory program with RJFS rather than paying for investment advisory services, brokerage, performance reporting and other services separately. A portion of the annual advisory fee is paid to Karras, which may be more than Karras would receive under an alternative program offering or if the client paid for these services separately. Therefore, Karras may have a financial incentive to recommend a particular account program over another. Karras does not receive a financial incentive to recommend and sell proprietary mutual funds versus non-proprietary funds. However, because compensation structures vary by product type, Karras may receive higher compensation for certain product types. Refer to Item 4 for types of fee accounts Karras recommends.

The principal executive officers and other employees of Karras, acting as registered representatives of RJFS may receive 12b-1 distribution fees from investment companies in connection with the placement of client funds into investment companies.

While these individuals endeavor at all times to put the interest of the clients first as part of Karras' fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Accordingly, at the time any recommendation is made to our clients, Karras provides client with sufficiently specific facts so that the client is able to understand the conflicts of interest the adviser has and the business practices in which it engages, and so that the client can give his or her informed consent to the transaction or practice that gives rise to the conflict or to reject the transaction or practice. Additional information on how we manage conflicts of interest can be found in Item 11 of this brochure.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our Code of Ethics

Karras has in place a Code of Ethics and will provide client's a copy upon request. The Code of Ethics discloses that Karras is dedicated to providing effective and proper professional investment management services to its clients and depends upon a high level of public and client confidence for its success. That confidence can be maintained only if Karras' supervised persons observe the highest standards of ethical behavior in the performance of their duties. Karras has the obligation to exercise its authority for the benefit of its clients, to place the interest of its clients first and to refrain from having outside interests that conflict with the interests of its clients. Karras and its supervised persons must avoid any circumstances that might adversely affect or appear to affect the firm's duty of complete loyalty to clients.

Karras' general policy is to avoid conflicts of interest wherever possible and, where they unavoidably occur, to resolve them in favor of clients. When a potential conflict of interest arises, Karras and supervised persons must recognize that the client has a prior right to the benefits of the Firm's judgment over the Supervised Person or any members of the Supervised Person's family whom he or she may advise. Inevitably, this policy places some restriction on freedom of investment for supervised persons and their families.

While it is not possible to specifically define and prescribe rules regarding all possible cases in which conflicts might rise, the Code is designed to set forth Karras' policy regarding supervised persons conduct in those situations in which conflicts are most likely to develop.

Participation or Interest in Client Transactions and Personal Trading

The interests of the clients must come first. Karras' personnel must scrupulously avoid serving their own interests ahead of those of the client when making any decision relating to personal investments. Karras must not take inappropriate advantage of their positions. Information concerning client's investments must be kept confidential. Karras must always provide professional investment management advice based upon unbiased independent judgment. Karras never participates in "trading ahead" of their clients to receive a better price for the same security on the same day.

These principles govern all conduct by Supervised or Access Persons whether or not such conduct is covered by specific procedures. Failure to comply with these general principles may result in disciplinary action, including termination.

Personal Securities Transactions

A director, officer, or employee of Karras shall not buy or sell securities for their personal portfolio where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public upon reasonable inquiry. No associated person of Karras shall prefer his or her own interest to that of the client. Karras requires that all individuals must act in accordance with all applicable Federal and state regulations governing registered investment advisers.

Karras requires that all Access Persons strictly comply with the firm's policies and procedures regarding Personal Securities Transactions. Those employees found to be out of compliance are subject to disciplinary action including termination of employment.

All Supervised Persons are required to report personal securities transactions on a quarterly basis, as well as an annual report of holdings, to the Chief Compliance Officer.

Our Disclosure and Management of Material Conflicts of Interest

In order to adhere to our fiduciary obligation to act in the client's best interest, it is the policy of Karras to disclose, at the time of recommendation or sale, all material facts relating to such conflicts of interest which may arise in connection with such transaction, so that the client is able to understand the conflicts of interest the adviser has and the business practices in which it engages, and so that the client can give his or her informed consent to the transaction or practice that gives rise to the conflict or to reject the transaction or practice.

Payment of Costs of Educational Conferences for Our Advisors

Investment managers may also sponsor their own educational conferences and pay expenses of Karras attending the events. The policies of Karras require that the training or educational portion of these conferences comprises substantially all of such events.

Payment of Costs of Client Events

Investment Managers may sponsor educational meetings, seminars, or events in which clients of Karras are invited to participate. The estimated costs of these seminars is disclosed to all clients who attended such events prior to or at the time of recommendation or sale of that investment manager's fund or services to the client.

Item 12 Brokerage Practices

Our Recommendations of Brokerage Firms (Custodians)

The principle executive officers and other associated persons of Karras are registered representatives of Raymond James Financial Services (RJFS), a registered broker dealer with FINRA/SIPC. Karras IAR's will recommend RJFS to advisory clients for brokerage services. These individuals are subject to FINRA/SIPC rules that restrict them from conducting securities transactions away from RJFS. Therefore, clients are advised that such IARs are limited to

conducting securities transactions through RJFS. It may be the case that RJFS charges a higher or lower fee than another broker charges for a particular type of service, such as transaction fees. Clients may utilize the broker dealer of their choice and have no obligation to purchase or sell securities through RJFS. However, if the client does not use RJFS, the IAR will reserve the right not to accept the account.

While it is possible that clients may pay higher commission or transaction fees through RJFS, Karras has determined that RJFS currently offers the best overall value to Karras and its clients for the customer service, brokerage, research services and technology it provides. Karras believes these qualities make RJFS superior to most non-service oriented, deep –discount and internet/web based brokers that may otherwise be available to the public.

Karras follows RJFS' Best Execution Practices, as follows:

- Examines the quality of execution of individual trades upon request and provides price improvement where appropriate;
- Reviews daily reports regarding potentially inferior trade executions and provides price improvement for those executions where appropriate;
- Reviews monthly reports regarding quality of executions offered by various trading venues;
- Monitors systems issues with execution venues;
- Meets periodically with Compliance in Raymond James & Associates Best Execution Committee to discuss best execution; and
- Provides reports to Raymond James Financials quality of execution committee for review.

As a registered FINRA/SIPC broker dealer, RJFS routes order flow through its affiliated broker dealer Raymond James and Associates.

RJFS may also provide general access to research and perhaps discounts on research products. Any research received is used for the benefit of all clients. Karras has no written or verbal arrangements whereby it receives soft dollars. From time to time, RJFS may offer production-based incentives such as the ability to attend industry-related conferences or other benefits; however, Karras does not believe that such incentives impair Karras' independence

When accounts are established, clients are directed to clear through Raymond James by means of their contract. ERISA regulations require client notification of their ability to change their brokerage direction. Any client wishing to change their brokerage direction will effectively terminate their account, as we cannot accommodate client directed brokerage (execute transactions outside of Raymond James).

Karras may have the ability from RJFS to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; access to an electronic communication network for client order entry and account information; access to mutual funds which generally require significantly high minimum initial investments or those that are otherwise only generally available to institutional

investors; reporting features; receipt of industry communications; and perhaps discounts on business-related products.

Item 13 Review of Accounts

Investment management accounts or financial plans are reviewed formally, at least annually; accounts are frequently monitored and reviewed informally. Reviews are performed by Brett Karras, President and IAR. Clients are obligated to promptly notify Karras of any changes in the client's financial status to ensure that investment strategies continue to meet the client's changing needs. Primary client contacts are performed by Brett Karras. Administrative personnel assist with general client communication and services.

Reviews could occur at the time of new deposits, material changes in client's financial information, changes in economic cycles, at Karras' discretion, or as often as the client may direct. Reviews entail analyzing securities, sensitivity to overall markets, economic changes, investment results and asset allocation, etc., to ensure the investment strategy and expectations are structured to continue to meet clients' objectives.

Clients receive holding and activity reports at least quarterly from custodial and brokerage firms. Karras may prepare reports or written communications related to investment advisory services provided or as may be requested by clients.

Item 14 Client Referrals and Other Compensation

Karras offers a program that will pay professionals for referrals. The professional who refers the account will receive a portion of the advisory fee but in no case will the client pay more because of the referral fee. The referral fees will be on a cash only basis. The professional will be either an investment adviser representative or a registered investment advisor. In these cases, there will be a written agreement between Karras and the solicitor, which clearly defines the duties and responsibilities of the solicitor under this arrangement. In addition, each solicitor is required to provide a written disclosure document, which explains to the prospective client the terms under which the solicitor is working with the Firm and the fact that the solicitor is being compensated for the referral activities. The solicitor is also required to furnish a copy of the Firm's written disclosure document to the prospective client and obtain a written acknowledgement from the client that both the solicitor's and Karras' disclosure documents have been received.

This arrangement creates a conflict of interest because while the client may have the ability to choose a certain firm for investment advice, they are being referred by a professional that receives an economic benefit from Karras for the referral.

Item 15 Custody

Karras does not have custody of client's assets or funds.

Item 16 Investment Discretion

Discretionary authority is used by Karras to better implement portfolio changes and keep clients in line with their model portfolio. Karras has discretionary power to act on behalf of clients accounts when agreed and accepted upon by both the client and Karras. Karras accepts any reasonable limitation or restriction on the account placed by the client. All limitations and restrictions placed on account must be presented to Karras in writing.

Discretionary accounts create increased liability for Karras. Therefore, all discretionary accounts must be approved by RJFS prior to the placement of any opening transactions. Discretionary approval is granted for fee-based advisory accounts only; retail commission-based discretion is prohibited.

Only those financial advisors who have been approved by the Compliance department of RJFS, will be granted discretionary authority. Financial advisors seeking approval for discretion may be subject to additional qualifying education or experience.

All discretionary accounts must be coded as *discretionary*. Karras approves each discretionary order on a daily basis. In addition, Karras reviews each discretionary account regularly to detect and prevent transactions that are excessive in size or frequency for a particular account. All transactions must be on an agency basis. Please note that Karras may not purchase low-priced securities in discretionary accounts on a discretionary basis. Orders for low-priced securities may be accepted on an unsolicited basis.

Item 17 Voting Client Securities

Karras does not vote proxies for clients, and does not provide advice to clients about how to vote proxies. Clients have the responsibility to vote proxies and will be required to ensure that proxy materials are sent directly to them.

Item 18 Financial Information

Karras does not have custody of client's assets or funds. Karras does not solicit payments of \$500 per client or more, six (6) months in advance for services. Karras has not been subject to bankruptcy and knows of no reason that its financial condition would be impaired in meeting its contractual obligations to clients.