

Item 1

Cover Page

The Karras Company ADV Part 2 Firm Brochure

February 13, 2015

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President

Investment Adviser Representative (IAR), The Karras Company

The Karras Company, Registered Investment Advisor (RIA)

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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

Item 5, Fees and Compensation – IMPAC Program

Effective January 1, 2015, Raymond James introduced a \$10 transaction charge, in addition to the current \$30 transaction fee, for purchases of non-partner funds in IMPAC accounts. For a current list of non-partner funds, you may contact Karras.

We suggest that all of our clients review this brochure, 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 18th year of operation. Karras currently has \$1,132,263,194 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 2000, 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 pension and profit sharing plans and corporations including:

- assistance with the creation of an investment policy statement
- asset allocation services including the selection of an overall benchmark with which to monitor performance
- investment manager selection for the management of the institutional client's portfolios
- reporting and monitoring of investment managers' performance compared to a benchmark
- a compliance review to ensure the managers are in compliance with the client investment policy
- meetings with the client investment committees to review and advise the client on current market conditions, past performance, and recommendations for changes in the investment policy of asset allocation of the client

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)

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.

After determining what type of investments best suit the client's financial goals, Karras will offer either a retail account, IMPAC account, or a Freedom account.

Investment Management Program for Advisory Clients (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. Refer to Item 5 for additional information on IMPAC.

Participation in Wrap Fee Programs

Karras participates in a wrap fee program called Freedom. The Freedom account program is a fee-based Mutual Fund/Exchange Traded Fund ("ETF") managed account operated by Asset Management Services ("AMS"), a division of Raymond James. AMS focuses on the development and administration of Raymond James' fee-based asset management products and services. Please see Item 5 for additional information on Freedom UMA.

Amount of Assets Under Management

The amount of client assets Karras manages on a discretionary basis, as of January 29, 2015: \$69,562,087.

The amount of client assets Karras manages on a non-discretionary basis, as of January 29, 2015: \$1,062,701,108.

Item 5 Fees and Compensation

Advisory Services

Karras is compensated for advisory services through the IMPAC program, Freedom program, Institutional Client fees, 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. Investment Management Program for Advisory Clients (IMPAC) is a fee based account, offered and administered through Raymond James Financial Services & Associates (RJFSA), in which client is provided with ongoing investment advice and monitoring of securities holdings. Karras will manage the account on a discretionary or non-discretionary basis, according to the client's objectives. This account offers the client the ability to pay an asset based advisory fee and a nominal processing fee in lieu of a commission for each transaction. RJFSA receive a portion of the fee. Management fees are negotiable, but the following schedule will be used as a guideline:

Karras' 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

Raymond James IMPAC advisory fees exceed that of Karras. Raymond James has accepted the modifications of Karras' IMPAC fees.

For purposes of calculating and assessing asset-based fees, RJFSA uses the term

"Account Value", which may be different than the asset value as reported on brokerage statements provided by RJFSA to the client. Pursuant to the investment management of advisory agreement, Account Value is defined as the total absolute value of the securities in the account, long or short, plus all credit balances, with no offset for any margin or debit balances.

The annual asset-based fee is paid quarterly in arrears, as outlined in the Investment Advisory Agreement. The asset-based fee is calculated on the account asset value on the last business day of the quarter for the previous quarter. If cash or securities, or a combination thereof, amounting to at least \$100,000 are deposited to or withdrawn from the account on an individual business day, Raymond James may (i) assess asset-based fees based on the value of the assets on the date of deposit for the pro rata number of days remaining in the quarter, or (ii) refund prepaid asset based fees based on the value of the assets on the date of withdrawal for the pro rata number of days remaining in the quarter. Notwithstanding the above \$100,000 adjustment threshold, Raymond James reserves the right, in its sole discretion, to process or not process fee adjustments when the source and destination of deposits and withdrawals involve a client's other fee based advisory accounts.

Client authorizes and directs RJA as Custodian to deduct asset-based fees from the account; client further authorizes and directs the Custodian to send a statement of securities, in custody, at least quarterly to client which show all amounts disbursed from the client's account, including fees paid to RJFSA. The client understands that the brokerage statement will show the amount of the asset-based fee.

The asset-based fees associated with the IMPAC account program include all execution and clearing charges except: (1) certain dealer-markups and odd lot differentials, transfer taxes, exchange fees mandated by the Securities and Exchanges Act of 1934 and any other charge imposed by law with regard to any transactions in the account; and (2) offering concessions and related fees for purchases of public offerings of securities as more fully disclosed in the prospectus.

The IMPAC program has a nominal Processing Fee for the execution and clearing of transactions, as follows:

Security Type	Processing Fee
Stocks: Listed and OTC/Closed End and Exchange Traded Funds	\$9.95
Mutual Funds (applicable to purchases only)*	
Participating Funds	Waived
Partner Funds	\$30.00
Non-Partner Funds	\$40.00
Unit Investment Trust/Real Estate Investment Trust	\$9.95
Preferred Stock	\$9.95
Option Contracts	\$30.00
Bonds: Government, Corporate, Municipal & Mortgage Backed	\$30.00

*Select fund companies have agreed to pay administrative fees to Raymond James in consideration for Raymond James' waiver of the \$30 Processing Fee assessed on certain mutual fund purchases ("Participating Funds"). Select fund companies have agreed to pay marketing service and support fees to Raymond James (Partner Funds). "Non-Partner Funds" do not participate in Raymond James's education and Marketing Support program. Effective May 5, 2014, the above Processing Fees will be applied to purchases of Partner and Non-Partner Funds. ERISA Plan and SIMPLE IRA accounts will be charged \$30 for Partner and Non-Partner Funds purchases. Please note that funds may change their Participating, Partner or Non-Partner status at any time.

Certain mutual fund companies, including "Participating Funds", may charge on-going fees. Karras may receive this fee in addition to any advisory fee that may be assessed to your account. The existence of a 12(b)-2 fee is disclosed in the mutual fund prospectus.

In addition to the foregoing Processing Fee, you will incur a charge in the amount of \$5.95 per transaction for handling charges. You 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 account. The client may be charged a fee according to the number of days the account was managed for the current quarter, upon termination.

Client may request a list of Participating Funds and Partner Funds from Karras or may refer to RJFSA's Form ADV Part 2 Brochure for additional information.

Freedom Account Program

For separately managed accounts, Karras may use Freedom. The Freedom Account Program ("Freedom") offers clients a broad selection of strategies and allocation options within a given investment strategy. Clients choosing to participate in the Freedom program appoint Raymond James as their investment adviser in recommending compatible Strategies, selecting Funds for investment, and continuously managing the investments in the selected Strategy on a discretionary basis. The Freedom program is comprised exclusively of mutual funds and/or ETFs.

Leveraging off the research performed by AMS Manager Research & Due Diligence, the Investment Committee constructs multiple investment Strategies comprised of a combination of Funds and/or ETFs representing a broad array of asset classes and investment styles. The Investment Committee identifies asset classes and investment styles that perform differently under varying market conditions, yet are considered complementary to one another. The composition of a given Strategy may include domestic and international equity and fixed income

Funds, as well as real estate investment trusts, commodity and other alternative investment Funds to enhance diversification.

A list of available Strategies is available through your financial advisor. In addition to the diversified Strategies available, Freedom offers Completion Portfolios Strategies for Alternative Investments, Fixed Income and International Equity allocations. Completion Portfolios are designed to complete a client's asset allocation plan. For instance, if a client's current equity allocation consists of domestic stocks only, a Completion Portfolios account offers clients the opportunity to diversify into an alternative investment, international equity-based and/or fixed income portfolio, if appropriate for their situation. Raymond James, AMS and/or the Investment Committee may develop and offer additional Strategies in the future, discontinue previously offered Strategies, may add or remove Funds, or modify the target allocations of the Strategies at any time.

Clients most appropriate for the mutual fund version of Freedom are those willing to pay more (via higher fund management fee and operating expenses) for the potential to outperform the market or benchmark indices over the long term, but should also be aware the potential to underperform is just as great. Clients most appropriate for the ETF version of Freedom are those willing to achieve market-/benchmark-like returns, less management fees and operating expenses, with little potential for the individual ETFs outperforming the respective market sectors or indices they track.

Please see the Raymond James Independent RIA Firm Brochure; RJA Wrap Fee Program Brochure for additional information on Freedom.

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 Raymond James administrative fees in consideration for Raymond James' 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.

Billing on Cash Balances

Raymond James generally assesses advisory fees on cash sweep balances ("cash") held in IMPAC accounts, provided the cash balance does not exceed 20% of the total account value. If the cash balance is greater than 20% of the account value. As of the last business day of the quarter (the "valuation date"), Raymond James will bill on the full cash balance provided cash did not comprise greater than 20% of the billable account value for three consecutive quarterly valuation dates. If the cash balance exceeded 20% of the cash balance for three consecutive quarterly valuation dates, the amount in excess of 20% is excluded from billing. For example, an IMPAC account that held 30% of the account value for three consecutive billing valuation dates (March 31st, June 30th and September 30th) would have the amount in excess of 20% excluded from the account value in which advisory fees are applied. For simplicity of illustration, assuming an account was valued at \$100,000 for all three quarterly billing periods, with \$30,000 held in cash, the September 30th valuation date would exclude \$10,000 of the cash from the account value when assessing the advisory fee. If you participate in the IMPAC program and have one or more related accounts, client may request the 20% threshold be applied to the aggregate household cash value for fee purposes. This fee billing provision (or "Cash Rule") is intended to equitably assess advisory fees to your assets for which an ongoing advisory service is being provided, and the exclusion of excess cash from the advisory fee is intended to benefit the 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 Karras, as cash will not be included in the asset based fee charged to the account. This may cause Karras to reallocate (in a discretionary account) or advise your to reallocate (in a non0-

discretionary account) your account from cash 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 your account(s).

The aforementioned Cash Rule is applicable only to cash sweep balances and, therefore, non-sweep money market investments would not result in excess "cash" balances being excluded from the asset-based advisory fee calculation. As a result, non-sweep money market mutual fund investments are generally prohibited as investment option in fee-based accounts. However, certain money market mutual funds may be approved as an investment option, but will be designated as Administrative-Only assets as long as those investment re hold in a fee-based account. Neither RJFSA nor Karras will receive fee-based compensation on these investments, but may receive compensation in the form of the 12(b)-1 fee or trail.

Additional Disclosures

Investment of Cash Reserves

Raymond James has established a system in which cash reserves "sweep" daily to and from your investment account to cover purchases or to allow excess cash balances to immediately begin earning interest, subject to certain minimum balances. The account in which these cash reserves are held is considered your sweep account. Available sweep options include the Raymond James Bank Deposit Program ("RJBDP"), the Client Interest Program ("CIP") sponsored by Raymond James, and a proprietary class of money market funds (the "Eagle Class - JP Morgan Money Market Funds") of the JP Morgan Prime Money Market Fund and JP Morgan Tax Free Money Market Fund, managed by J.P. Morgan Investment Management, Inc. ("J.P. Morgan") and offered by Eagle. You may select RJBDP, CIP, the Eagle Class - JP Morgan Money Market Funds, or any combination thereof.

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 ("FDIC") and the Securities Investor Protection Corporation ("SIPC")). 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.

If you select the RJBDP option you are responsible for monitoring the total amount of deposits held at each Bank in order to determine the extent of FDIC insurance coverage available. Raymond James is not responsible for any insured or uninsured portion of your deposits at any of the Banks.

Raymond James Bank and the interest rate it offers may differ from the yield on the Eagle Class - JP Morgan Money Market Funds and CIP, but Raymond James Bank generally earns more than the interest it pays on such balances. The Eagle Class - JP Morgan Money Market

Funds are offered by Eagle through an agreement with J.P. Morgan. Under the agreement, Eagle, Eagle Fund Services, Inc. and Eagle Fund Distributors, Inc. (together, the "Eagle Affiliates"), and Raymond James and its affiliate RJFS are compensated by the Eagle Class - JP Morgan Money Market Funds and J.P. Morgan for, among other things, distribution costs, shareholder record-keeping activities, and the coordination and administration of the funds. Raymond James generally earns a higher rate of interest on CIP balances than the interest rate it pays on such balances. The income earned by the Eagle Affiliates and Raymond James is in addition to the asset-based fees that Raymond James receives from these accounts.

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 to your cash sweep account. 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, Raymond James 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 transferring of such funds to their interest-bearing cash sweep account.

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.

Cash reserve balances which exceed 20% of the account value at the time of billing will be included for fee purposes only if such balances did not exceed 20% of the account value at the end of the prior two quarterly valuation dates. Otherwise, the balance in excess of 20% will not be included in the account value for purposes of calculating the asset-based fee.

Additional Expenses Not Included In the Asset-Based Advisory Fee

The client may also incur charges for other account services provided by Raymond James not directly related to the advisory, execution, and clearing services provided including, but not limited to, IRA custodial fees, safekeeping fees, charges/interest for maintenance of margin and/or short positions, and fees for legal or courtesy transfers of securities. For a complete list of account service charges, please visit Raymond James's public website:

http://www.raymondjames.com/services_and_charges.htm (Client Account Services and Charges). Client may also contact Karras or call Raymond James by phone at 800-647-SERV (7378) for additional information, or may submit your written request to: Raymond James Client Services, 880 Carillon Parkway, St. Petersburg, FL 33716.

Certain open-end mutual funds that may be acquired by client, may, in addition to assessing management fees, 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. Karras may receive this fee in addition to any advisory fee that may be assessed in your account. The existence of a 12(b)-1 fee is disclosed in the mutual fund prospectus.

Client should understand that the annual advisory fees charged in the IMPAC program is in addition to the management fees and operating expenses charged by open-end, closed-end and exchange-traded funds. To the extent that 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 these programs. The client may be able to purchase mutual funds directly from their

respective fund families without incurring the Registrant's advisory fee. When purchasing directly from fund families, client may incur a front or back-end sales charge.

Client should also understand that the shares of certain mutual funds offered in these programs 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 (and not RJFSA) to deter "market timers" who trade actively in fund shares. The client 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, may increase the overall cost to you by 1%-2% (or more). More information is available in each fund's prospectus.

The client should be aware that exchange traded funds ("ETFs") incur a separate management fee, typically 0.20%-0.40% of the fund's assets annually (although individual ETFs may have higher or lower expense ratios), which is assessed by the fund directly and not by RJFSA. This management fee is in addition to the ongoing advisory fee assessed by RJFSA. Certain ETFs may be classified as partnerships for U.S. federal income tax purposes, which may result in unique tax treatment, including Schedule K-1 reporting. IMPAC clients should consult their tax adviser for additional information regarding the tax consequences associated with the purchase, ownership and disposition of such investments. Additional information is also available in the ETF prospectus, which is available upon request.

Alternative Investments refers to securities products that serve as alternatives to more traditional asset classes and may include investment products such as hedge funds, private equity funds, private real estate funds and structured products. RJFSA, through its IARs, may offer you a wide range of alternative investments. It is important for you to work with your IAR to evaluate how a particular alternative investment and its features fit your individual needs and objectives. An important component of the selection process includes carefully reading the accompanying offering documents and/or prospectus prior to making a purchase decision. The offering documents contain important information that will help you make an informed choice.

As part of the review process, you should consider the fees and expenses associated with a particular alternative investment, along with the fact that Karras and RJFSA receive compensation related to any such purchase. It is important to note that the fees and expenses related to alternative investments are often higher than those of more traditional investments. Karras will answer any questions regarding the total fees and expenses and the initial and ongoing compensation that they and/or RJFSA may receive.

While each investment will differ in terms of both total fees and expenses and how those fees and expenses are calculated, the following section will discuss the primary categories of fees and expenses that are common to many alternative investments and the different ways that RJFSA and Karras may be compensated.

- **Management fees:** The manager for any particular investment will often charge a management fee that is based on the total value of your investment. As the value of your investment increases, the total management fees that a manager receives may increase. As the value of your investment decreases, the total management fees that a manager receives may decrease. These fees are similarly structured but are often higher than management fees associated with other, more traditional, investments such as mutual funds. RJFSA and/or Karras may share in a portion of management fees to which an investment manager is entitled.
- **Incentive-based compensation:** Many alternative investment managers receive incentive-based compensation in addition to management fees. Incentive-based fees typically involve the manager retaining a percentage of profits generated for clients. Fees related to incentive compensation are often referred to as incentive/performance-based fees or carried interest. It is important to note that these fees are in addition to management fees that are charged by the manager and that the exact calculation of incentive fees or carried interest differs by product and manager. RJFSA and/or your IAR may share in any incentive-based compensation to which an investment manager is entitled.
- **Upfront or ongoing servicing fees or placement fees:** Many alternative investments have upfront costs directly related to compensating your IAR and/ or RJFSA. These fees are generally based on the total amount of your investment. Additionally, there may be ongoing fees, based on value of your investment, that are directly related to compensating your IAR and/or RJFSA. The total level of compensation received by RJFSA may be related to the total RJFSA client capital invested with a particular manager or product.
- **Redemption fees:** Some investments may have direct or indirect costs related to liquidating your position, particularly if an investment is liquidated shortly after being purchased or if an investment is specifically designed to provide limited or no liquidity to investors.

Alternative investment strategies may be accessed through a variety of legal structures, including mutual funds, limited partnerships and limited liability companies. In certain structures, particularly for new offerings, investors may incur organization and offering expenses that are related to the creation of the legal structure and marketing of the product. These costs ultimately serve to decrease the amount of the client's investment. Additionally, investors may incur other expenses based on the investment activity of the fund. For instance, in a real estate fund, investors may be charged fees related to the acquisition of a property. In a hedge fund that shorts stock, there are costs associated with establishing and maintaining the short position. Lastly, investors in alternative investments generally bear the cost of certain ongoing expenses related to administration of the product. These expenses may include costs related to tax document preparation, auditing services or custodial services.

Alternative investments often have limited liquidity, intermittent pricing and values based on appraisal-based pricing versus market-based pricing. Additionally, if an alternative investment is reflected on your Raymond James statement, the value reflected is often an estimate subject to

revision by the investment manager. One or a combination of these issues impact the value on which you are charged when your investment is eligible for asset-based advisory fees. RJFSA will typically only assess an advisory fee on alternative investment products that are priced at least quarterly and are not assessed an upfront commission or sales load upon initial investment. Conversely, alternative investment products not eligible for the asset-based advisory fee typically price less frequently than quarterly and/or have an upfront commission or sales load assessed upon the initial investment; such investments will be designated as Administrative-Only assets by RJFSA. You may hold one or more of these Administrative-Only products in your IMPAC account, but no asset-based advisory fee will be assessed as long as they are held in a Passport or IMPAC account.

You 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.

You should understand that certificates of deposit ("CD"s) from Raymond James Bank may be purchased, with a commission, in the IMPAC program. These CDs are considered non-billable assets for one year. Due to Karras' affiliation with Raymond James Financial (NYSE-RJF) and Raymond James Bank, being a wholly owned subsidiary of Raymond James Financial, Inc. (NYSE-RJF), a potential conflict of interest may exist.

You should also understand that more sophisticated investment strategies 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 your 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 Karras 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. In the cases where margin debit interest is charged to your account, Karras may receive a portion of the interest charged as a Controlled Asset Fee, presenting a potential conflict of interest.

Your total cost of each of the services provided through the IMPAC program, if purchased separately, could be more or less than the costs of each respective program. Cost factors may include your ability to:

- 1) obtain the services provided within the programs separately with respect to the selection of mutual funds,
- 2) invest and rebalance the selected mutual funds without the payment of a sales charge, and
- 3) obtain performance reporting comparable to those provided within each program. When making cost investments, advisory services, and 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 you 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 you otherwise would qualify for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

Further information regarding fees assessed by a mutual fund, variable annuity or UIT is available in the appropriate prospectus, which you may request from Karras.

The mutual funds and ETFs available in the programs often may be purchased directly. Therefore, you could avoid the second layer of fees by not using the investment advisory account and making your own decisions regarding the investment.comparisons,

You should be aware that only those mutual fund companies which RJFS has a selling agreement with will be available for purchase within the IMPAC program, and are generally limited to those fund companies that provide RJFS and its affiliates marketing service and support fees. As a result, not all mutual funds available to the investing public will be available for investment. However, RJFS has selling agreements with over 300 fund companies, offering over 9,000 separate mutual funds for potential investment.

If you are considering transferring mutual fund shares to or from Raymond James you should be aware that if the firm from or to which the shares are to be transferred does not have a selling agreement with the fund company, you must either redeem the shares (paying any applicable contingent deferred sales charge and potentially incurring a tax liability) or continue to maintain an investment account at the firm where the fund shares are currently being held. You should inquire as to the transferability, or "portability", of mutual fund shares prior to initiating such a transfer.

Raymond James provides a variety of marketing and other sales support services to mutual fund companies related to their mutual funds. These services include, but are not limited to, providing detailed mutual fund information to financial advisors, assisting mutual fund companies with strategic planning support, providing opportunities for assisting with professional development workshops, study groups, and other events and conferences. Raymond James also provides distribution support for prospectuses and promotional materials relating to their mutual funds. The marketing service and support fees come in a variety of forms, including payments which are sometimes referred to as "revenue sharing" fees and 12b-1 fees. This compensation may not be disclosed in detail in a mutual fund's prospectus or Statement of Additional Information.

The following schedule gives you an idea of the potential level of marketing support or revenue sharing fees that Raymond James may receive from a particular mutual fund group:

- up to .10% on mutual fund share purchases (e.g., \$10 for a \$10,000 purchase)
- up to .05% per year on assets totaling less than \$500 million
- up to .04% per year on assets totaling \$500 million to \$1 billion
- up to .03% per year on assets totaling \$1 billion to \$5 billion
- up to .02% per year on assets totaling \$5 billion or greater

The actual amounts that Raymond James may receive will vary from one mutual fund Company to another and investments in certain asset classes and/or mutual fund types may be excluded from the above formulas. For a list of fund companies that have agreed to participate in Raymond James' current Education and Marketing Support program, please visit: http://www.raymondjames.com/disclosure_mutual_funds_co.htm. Mutual fund companies that are indicated with an asterisk (*) have also agreed to participate in the No Transaction Fee (NTF) Platform.

Marketing representatives of mutual fund companies, who are often referred to as "wholesalers", work with Raymond James Financial advisors and their branch office managers to promote their mutual funds. Consistent with applicable laws and regulations, these mutual fund companies may pay for or provide training and education programs for Raymond James financial advisers.

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, printing, 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 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, with the exception of a current client relationship already established. 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. Raymond James provides historical market analysis, risk/return analysis, and continuing education services. Various computer software programs from Raymond James 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 or 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 Fund, and Eagle Class - JPMorgan Tax Free Money Market Fund, Eagle Class – JPMorgan U.S. Government 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

The Karras Company, Inc. is a financial advisor, as designated by the client, who is registered as a registered representative of Raymond James Financial Services, Inc (RJFS). The primary affiliation of RJFSA, through its holding company Raymond James Financial, Inc. (RJF) is with Raymond James Financial Services Inc., member FINRA/SIPC, through various licenses and registrations. RJFS is a broker-dealer and primarily in the business of selling securities and other investments including annuity, fixed and life insurance products, on a full-time basis in all 50 states, including DC, Puerto Rico and the US Virgin Islands. RJA, RJFSA and RJFS will be collectively referred to as Raymond James.

From time to time, Raymond James 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 Raymond James such as customized statements; receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk servicing Raymond James 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 Raymond James 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 Raymond James 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 Mangers 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 manger'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 Raymond James to advisory clients for brokerage services. These individuals are subject to FINRA/SIPC rules that restrict them from conducting securities transactions away from Raymond James. Therefore, clients are advised that such IARs are limited to conducting securities transactions through Raymond James. It may be the case that Raymond James 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 Raymond James. However, if the client does not use Raymond James, 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 Raymond James, Karras has determined that Raymond James 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 Raymond James superior to most non-service oriented, deep -discount and internet/web based brokers that may otherwise be available to the public.

Karras follows Raymond James' 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, Raymond James routes order flow through its affiliated broker dealer Raymond James and Associates.

Raymond James 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, Raymond

James 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 Raymond James 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 solicitors, 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.

For a list of fund companies that have agreed to pay administrative fees for eligible purchases of Participating Funds, please visit the following link:

http://www.raymondjames.com/disclosure_mutual_funds_co.htm. Clients may also receive a hardcopy of this list by contacting Karras, or by contacting Raymond James Asset Management Services by phone at (800) 248-8863, extension 74991, or by sending in a written request to: Raymond James Asset Management Services – (10M), Client Services Department, 880 Carillon Parkway, St. Petersburg, FL 33716.

Administrative-Only Assets

Certain securities may be held in an IMPAC account and designated “administrative-Only” assets. For example, Karras may make an arrangement with the client to hold a security that they did not recommend or you wish to hold for an extended period of time and do not wish for Karras to sell for the foreseeable future. In such cases, Karras may elect to waive the advisory fee on this security, but allow it to be held in the non-managed advisory account. Alternatively, Karras may determine that certain securities may be held in an advisory account but are not eligible for the advisory fee (such as mutual funds purchased with a front-end sales charge through Raymond James within the last two years).

Such designated assets will not be assessed an advisory fee. Administrative-Only assets will, however, be included in the account value when calculating applicable asset-based advisory fee rates. For example, a client whose account value is \$550,000 and is comprised of \$50,000 of administrative-Only assets will have the asset-based fee rate assessed based on a \$550,000 account value, however this rate will only be assessed to \$500,000 of the eligible assets in the account.

Asset-Based Fee Aggregation - IMPAC

Participants in the IMPAC program may be entitled to discounted asset-based fees if they maintain one or more eligible related accounts within these programs.

Related accounts are account of an individual, his or her spouse, and their children under the age of twenty one. The term includes individually owned accounts, individual retirement

accounts (IRAs), self-directed accounts (i.e., directed by individual participants) under an employee benefit plan (ERISA plan) and ERISA plan accounting which an individual is the sole participant. Thus related accounts participating in the IMPAC program may be aggregated for advisory fee purposes, so that each account will pay a fee which is calculated on the basis of the total of all related accounts. It is the client's responsibility to identify all related account for purposes of qualifying for an aggregated account fee discount. While Karras may attempt to identify related accounts, Karras will not be responsible for failing to consider any related account not listed by you.

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 Raymond James 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 advisers, who have been approved by the Compliance department of Raymond James, 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 and Other 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.

Other Information

Business Continuity

Karras has adopted a business continuity plan that provides for the continuation of business critical functions in the event its place of business becomes partially or totally inaccessible, or a technical problem occurs affecting its network. The recovery strategies Karras employs are designed to limit the impact on clients from such business interruptions or disasters. Although Karras has taken reasonable steps to develop and implement detailed business continuity plans, unforeseen circumstances may create situations where Karras is unable to fully recover from a significant business interruption. However, Karras believes its planning and implementation process reduces the risk in this area.

Privacy Policy

The Karras Company is committed to maintaining the confidentiality, integrity and security of personal information about our current and prospective Clients. We consider customer privacy to be fundamental to our relationship with Clients. It is our policy to respect the privacy of current and former Clients and to protect personal information entrusted to us. This policy describes the steps we have taken to safeguard the client's information and what Client information we may share with others. We are proud of our privacy practices and want our clients to know how we protect information used to provide our clients with service.

Information We Collect and Maintain

We collect and maintain the following types of personal information about our clients:

- Information we receive from clients to open an account or provide investment advice to client (such as a home address, telephone number, Social Security or taxpayer identification number, e-mail address, age, marital status, assets, and income and financial information);
- Information that we generate to service client account (such as account statements); or
- Information that we may receive from third parties with respect to clients account (such as trade confirmations).

Information We Disclose

We will not disclose any Non-public Personal Information about our clients or their account(s) to anyone unless one of the following conditions is met:

- Firm receives prior written consent;
- Firm believes the recipient is an authorized representative;
- Firm discloses Non-public Personal Information as necessary to effect or process a transaction in any account, or to maintain or service clients account(s);
- Firm is required by law to disclose information to the recipient.

In all such situations, we stress the confidential nature of information being shared.

We may share client's personal information with:

- Non-affiliated companies that provide processing, account maintenance and related services in connection with clients investments and other transactions handled by us; and
- Non-affiliated companies and government agencies only to the extent permitted or required by law, for legal, regulatory or other purposes (for example, for tax purposes or for reporting suspicious transactions).

How We Protect Personal Information

We maintain the confidentiality, security and integrity of client's non-public personal information by:

- Restricting access to Non-public Personal Information to those Employees with a legitimate need for the information; and
- Maintaining physical electronic and managerial procedure safeguards that meet or exceed federal and industry standards governing how Non-public Personal Information should be stored.

We have not and will not sell client personal information to anyone, even if our formal Client relationship ends.

Privacy Policy Update

From time to time, we may amend our privacy policy. Clients will receive appropriate notice when our privacy policy changes.

How to Contact us with Privacy Questions

Our relationship with clients is our most vital asset. We recognize that clients have entrusted us with their private financial information, and we will do our utmost to maintain this trust. Questions, call 801-825-3000.