

**Item 1**

**Cover Page**

**The Karras Company ADV Part 2 Firm Brochure**

**March 13, 2018**

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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](mailto: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](http://www.adviserinfo.sec.gov).

## **Item 2 Material Changes**

This section describes the material changes to The Karras Company's (Karras) Part 2 of Form ADV Firm Brochure since its last annual update amendment on February 9, 2017. This Firm Brochure, dated March 13, 2018, has been prepared with information required because of recent changes on reporting and disclosure information for investment advisors.

### **Page 8: "Fees and Compensation – IMPAC Account"**

Effective June 9, 2017, the applicability date of the DOL's ("DOL") Conflict of Interest Rule – Retirement Investment Advice (the DOL's "Fiduciary Rule"), RJFS has modified the applicable transaction fees in IMPAC accounts. A \$15.00 transaction fee will apply IMPAC accounts, and the \$5.95 handling fee will no longer apply to transactions executed in IMPAC accounts. Purchases of Non-Partner mutual funds will continue to incur a \$40 charge in non-DOL impacted accounts.

### **Page 11: "Fees and Compensation – Billing on Cash Balances"**

In preparation for the June 9, 2017 applicability date of the DOL's Fiduciary Rule, RJFS no longer automatically excludes cash balances that exceed 20% of the Account Value for three consecutive valuation periods from the Account Value subject to the asset-based advisory fee. Clients who expect to hold cash balances in their advisory accounts should understand that the advisory fee will be assessed to these cash balances effective as of the July 2017 quarterly billing. As an alternative, clients may hold these cash balances in their brokerage account to avoid being assessed an advisory fee.

### **Page 11: "Fees and Compensation – Aggregation of Related Fee-Based Accounts"**

In connection with our efforts to comply with the Department of Labor's ("DOL") Conflict of Interest Rule – Retirement Investment Advice (the DOL's "Fiduciary Rule"), effective October 1, 2017 Raymond James modified its policy with respect to how it combines a client's related accounts for determining the applicable program fee. Prior to this change, Raymond James defined related accounts that were eligible for aggregation based on the similarity of the account programs. Under the modified policy, all fee-based accounts maintained by a client with Raymond James are combined for billing purposes.

### **Page 12: "Freedom Account"**

To avoid important information about the Freedom Account program becoming stale, Karras will now refer clients to review the FORM ADV RJA WRAP FEE PROGRAM BROCHURE.

### **Page 12: "Freedom UMA"**

Karras now recommends the Freedom UMA program to its clients. Please refer to section 5 to obtain information about this program. To avoid important information about the Freedom UMA Account program becoming stale, Karras will now refer clients to review the FORM ADV RJA WRAP FEE PROGRAM BROCHURE.

This brochure has been prepared according to the U.S. Securities and Exchange Commission's ("SEC") disclosure requirements.

We suggest that all of our clients review this brochure, in its entirety, upon receipt. In lieu of providing clients with an updated Firm Brochure each year, we may provide Karras's existing advisory clients with a summary describing any material changes occurring since the last annual update of our Part 2 Firm Brochure. Clients wishing to receive a complete copy of the then-current Part 2 Firm Brochure may request a copy at no charge by contacting our office directly at 801-825-3000 or [brett.karras@raymondjames.com](mailto:brett.karras@raymondjames.com). We also encourage clients to review this brochure, and pose any questions you may have to their Financial Advisor.

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## **Item 4      Advisory Business**

### Introduction

The Karras Company is a registered investment adviser with the Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940. Registration as an investment adviser with the SEC does not imply a certain level of skill or training. The Karras Company (Karras or the Firm) is in its 20<sup>th</sup> year of operation. Karras currently has \$1,327,263,877 in assets under management.

The primary affiliation of Karras is through its broker/dealer Raymond James Financial Services, Inc. (“RJFS”), member FINRA/SIPC. Another important affiliation of Karras is through Raymond James & Associates, Inc. (“RJA”), Member NYSE/SIPC. RJA serves as the custodian for RJFS client accounts, acts as the clearing agent, and facilitates advisory programs. Asset Management Services (“AMS”) is a division of RJA. AMS manages several investment advisory programs for RJA and RJFS, which maintain an approved list of investment managers, provide asset allocation model portfolios, establish custodial facilities, monitor performance of client accounts, provide clients with accounting and other administrative services, and assist investment managers with certain trading management activities.

As used in this Brochure, the words “we,” “our” and “us” refer to Karras and your investment adviser representative (“IAR”), and the words “you,” “your” and “client” refer to you as either a client or prospective client of our firm.

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 you or makes investments for you based on your individual needs. Through personal discussions, Karras develops goals and objectives based upon your investment time horizon and risk tolerance, as well as your core financial related values. Karras assists you in developing your personal investment policy, and then creates and manages a portfolio based on that policy.

## 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 your 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 you 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 and consulting fees are negotiable. Fees charged for these services will be dependent upon the anticipated time to provide the services and complexity of the plan and/or your financial situation. The fees are determined in advance and disclosed to you at the time the Investment Advisory Consulting Agreement is executed. It is possible that you may pay more or less for similar services which may be available through another firm.

Financial planning services may be comprehensive, or may focus on certain components. When Karras is engaged to address only certain components, you understand that your 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 you with recommendations that are found to be compatible with your stated goals and objectives. You are under no obligation to utilize additional services of Karras and its representatives and are under no obligation to implement the advice or plan. You may choose all or certain components of advice and recommendations and can implement the recommendations through the service providers of your choice.

It is important to note that we may provide investment product or securities recommendations as part of financial planning services or hourly consulting services. This may present a conflict to the extent that Karras receives compensation from implementation of such recommendations. Also, compensation to Karras and RJFS may vary depending on the product or service Karras recommends.

You are under no obligation to purchase securities or services through RJFS and Karras nor are you obligated to implement any recommendations through RJFS. If you decide to purchase certain investments through Karras, who may be acting in a non – advisory capacity, you should understand that RJFS and Karras may receive compensation for those services, such as commissions and/or trail fees. You should discuss with Karras how RJFS and Karras will be compensated for any recommendations in the plan.

If you decide to implement the financial plan or consulting advice through an RJFS advisory program or service, Karras will provide you at the time of engagement with a client agreement that will contain specific information about fees and compensation that Karras and RJFS will receive in connection with that program.

You should also understand that RJFS and Karras may perform advisory services for various other clients. RJFS and Karras may give advice or take actions for those other clients that differ from the advice given to you. Also, the timing or nature of any action taken for your account may be different. You should note that similar advisory services may be available from other registered investment advisers for similar or lower fees.

### 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 institutional client investment committees to review and advise the institutional client on current market conditions, past performance, and recommendations for changes in the investment policy of asset allocation of the institutional 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 your assets among various investments taking into consideration the overall management style selected by you. Investment strategies may include long-term and short-term purchases depending upon your individual needs. 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 of your 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 your individual needs and circumstances.

After determining what type of investments best suit your financial goals, Karras will offer a retail account, IMPAC account, a Freedom account, or a Freedom UMA account. Refer to Item 5 for additional information on IMPAC, Freedom, and Freedom UMA accounts.

**Participation in Wrap Fee Programs**

Karras participates in wrap fee programs called Freedom and Freedom UMA (Unified Managed Account).

The Freedom account program is an investment advisory Mutual Fund/Exchange Traded Fund ("ETF") managed account operated by Asset Management Services ("AMS"), a division of Raymond James. You appoint Raymond James as your investment adviser to select the representative funds and monitor their performance on a continuing basis. Karras and RJA receive a portion of the fee for services provided under the agreement. Please see Item 5 for additional information on Freedom.

The Freedom UMA account program is an investment advisory account with multiple separately managed account managers and funds in one "unified" account operated by AMS, a division of Raymond James. You appoint Raymond James as your investment adviser in recommending compatible strategies, selecting SMA Managers and funds for investment, and managing the investments of client accounts participating in the selected strategy. Karras and RJA receive a portion of the fee for services provided under the agreement. 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 February, 2018: \$203,684,460.

The amount of client assets Karras manages on a non-discretionary basis, as of February, 2018: \$1,123,579,417.

## Item 5 Fees and Compensation

### Advisory Services

Karras may be 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.

### 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 RJFS, which offers you, on a non-discretionary basis (or discretionary, provided certain qualifications are met), the ability to pay an advisory fee on the assets in your account and a nominal \$15.00 transaction charge in lieu of a commission for each transaction, with the exception of certain Non-Partner fund purchases described below. RJFS receives a portion of the fee. Management fees are negotiable, but the following schedule will be used as a guideline:

Karras' Fee Schedule for IMPAC:

<u>Account Value</u>	<u>Annual Fee</u>
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.

Select fund companies ("Participating Funds") have agreed to pay RJFS administrative fees. For certain mutual fund purchases, RJFS may use such fees to credit back the Processing Fee charged to Clients' accounts, as required by applicable law. Select fund companies have agreed to pay marketing service and support fees to RJFS ("Partner Funds"). "Non-Partner Funds" do not participate in RJFS's Education and Marketing Support program. Processing Fees are applied to purchases of Partner and Non- Partner Funds. The Processing Fee for Non-Partner Fund purchases (excluding those Non-Partner Fund purchases made in non-taxable accounts, e.g. ERISA Plans, IRAs, and certain other tax-deferred vehicles, which will be subject to the \$15.00 fee noted above) is \$40.00. Please note that funds may change their Participating, Partner or Non-Partner status at any time; Client should consult with Client's Investment Adviser Representative to verify the funds' status periodically. Client may request a list of Participating Funds and Partner Funds from Karras or visit

<https://www.raymondjames.com/legal-disclosures/packaged-product-disclosures/mutual-fund-investing-at-raymond-james/networking-and-service-partners>.

There are no transaction charges for mutual fund redemptions.

For purposes of calculating and assessing asset-based fees, RJFS uses the term "Account Value", which may be different than the asset value as reported on brokerage statements provided by RJFS to you. 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. Certain eligible variable annuities may be considered for inclusion in the account value on which the advisory fee is assessed.

If cash or securities, or a combination thereof, amounting to at least \$100,000 are deposited to or withdrawn from your account on an individual business day, RJFS 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, RJFS 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.

You authorize and direct RJA as Custodian to deduct asset-based fees from the account; you further authorize and direct the Custodian to send a statement of securities, in custody, at least quarterly which show all amounts disbursed from your account, including fees paid to RJFS. You understand that the account 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.

Your agreement may be terminated by you or Karras at any time. There is no penalty for terminating the account. You may be charged a fee according to the number of days the account was managed for the current quarter, upon termination.

### Discretionary IMPAC accounts

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.

Only those financial advisers, who have been approved by the Supervision department of Raymond James, will be granted discretionary authority. 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.

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.

### Other Compensation Considerations:

#### Administrative-Only Assets

Certain securities may be held in your advisory account and designated “Administrative-Only Investments”. There are two primary categories of Administrative-Only Investments: Client designated and Raymond James-designated. Client-designated Administrative-Only Investments may be designated by financial advisors that do not wish to collect an advisory fee on certain assets, while Raymond James-designated Administrative-Only assets are designated as such by RJFS in conformance with internal policy. For example, a financial advisor may make an arrangement with a client that holds a security that the financial advisor did not recommend or the client wishes to hold for an extended period of time and does not want their financial advisor to sell for the foreseeable future. In such cases the financial advisor may elect to waive the advisory fee on this security, but allow it to be held in the client’s advisory account – such designations fall into the Client-designated category. Alternatively, RJFS may determine that certain securities may be held in an advisory account but are temporarily not eligible for the advisory fee (such as for mutual funds purchased with a frontend sales charge through RJFS within the last two years, new issues and syndicate offerings). Assets designated by RJFS as temporarily exempt from the advisory fee fall into the Raymond James-designated category.

PLEASE NOTE: Due to Department of Labor (“DOL”) regulations, the designation of Client designated Administrative-Only assets and the maintenance of such positions in the client’s account are not permissible in DOL-impacted retirement accounts (such as IRAs and employer sponsored retirement plans). The underlying premise of this prohibition is that the maintenance of assets in an advisory account that are not being assessed an advisory fee introduces a potential conflict that the financial advisor’s advice may be biased as a result of their not being compensated on this asset. As a result, the financial advisor may recommend a course of action in their and not the client’s best interest (such as selling the security to increase the financial advisor’s compensation). RJFSA has elected to preserve the ability for clients and their financial advisors to designate assets as Client-designated Administrative-Only in their non-DOL-impacted accounts in order to maintain client choice

and avoid the need to maintain a separate account to hold these securities or cash. Nevertheless, while RJFS cannot accommodate this level of flexibility in DOL-impacted retirement accounts, clients can choose to maintain securities or cash in their brokerage account that they do not wish to be assessed an advisory fee.

Administrative-Only Investments will not be included in the Account Value when calculating applicable asset-based advisory fee rates. For clients with multiple fee-based accounts, the Relationship Value will be used to determine the applicable fee rate that will be assessed. However, clients should understand that any assets held as Administrative-Only Investments will not be included in the Relationship Value.

### Asset-Based Fee Aggregation

Raymond James will combine a client's related fee-based accounts so that each account will pay a fee that is calculated on the basis of the "Relationship Value" (total aggregate Account Values of all related accounts).

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 retirement accounts (IRAs), self-directed accounts (i.e., directed by individual participants) under an employee benefit plan (ERISA plan) and ERISA plan accounts in which an individual is the sole participant.

Furthermore, accounts of the same corporation or business entity are normally deemed as "related." For example, if ABC Manufacturing has both a profit sharing plan and a pension plan (non-directed), these two accounts will be "related." However, corporate accounts such as corporate cash would not be related to such retirement plan accounts.

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 accounts 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 accounts in 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 your responsibility to identify all Related Accounts for purposes of qualifying for an aggregated account fee discount. While we may attempt to identify related accounts, we will not be responsible for failing to consider any related accounts not listed by you.

### Billing on Cash Balances

Raymond James assesses advisory fees on cash sweep balances and money market funds ("cash") held in IMPAC accounts.

Billing on cash balances, particularly when the cash balance is maintained for an extended period of time or comprises a significant portion of the Account Value, may create a financial incentive for a financial advisor to recommend maintenance of this cash versus investing in an otherwise advisory fee-eligible security. For example, it's generally expected that the advisory fee will be higher than the interest a client will earn on this cash balance through their sweep account or the return earned on money market funds, so the client should expect to achieve a negative return on this portion of their account, although such cash balances will not be subject to market risk (that is, risk of loss) typically associated with securities investments. As a result, clients should periodically re-evaluate whether their maintenance of a cash balance is appropriate in light of their financial situation and investment goals, and should understand that this cash may be held outside of their advisory account and not be subject to advisory fees. For cash sweeps in IRAs and ERISA plans, Raymond James uses its bank affiliate exclusively as a depository.

Employees of Raymond James or its affiliates are eligible for lower management fee arrangements for their personal accounts.

Please refer to Item 14: "Client Referrals and Other Compensation" section for additional information regarding Participating Funds and Partner Funds.

### Freedom Account

For separately managed accounts, Karras may use Freedom.

The Freedom Account is an investment advisory account which allocates your assets, through discretionary mutual fund or exchange traded fund ("ETF") management, based upon your financial objectives and risk tolerances. You appoint Raymond James as your investment adviser to select the representative funds and monitor their performance on a continuing basis. Karras receives a portion of the fee for services provided under the agreement.

#### Freedom Account fees:

<u>Fee-Based Relationship Value</u>	<u>Annual Rate</u>
Up to \$1 million	2.25%
\$1 million up to \$2 million	2.00%
\$2 million up to \$5 million	1.75%
\$5 million up to \$10 million	1.50%
\$10 million and up	1.25%

There is a minimum investment of \$50,000 for most Freedom Strategies, with the exception of the Freedom Retirement Income Solution Strategies which requires a \$100,000 minimum investment and Freedom Foundation Strategies which may be opened with a \$5,000 minimum investment.

For further information about Freedom, refer to the RJA Wrap Fee Program Brochure.

Freedom UMA Account

For separately managed accounts, Karras may use Freedom Unified Managed Account (UMA).

The Freedom UMA Account is an investment advisory account with multiple separately managed account managers and funds in one “unified” account operated by AMS, a division of Raymond James. You appoint Raymond James as your investment adviser in recommending compatible strategies, selecting SMA Managers and funds for investment, and managing the investments of client accounts participating in the selected strategy. Karras and RJA receive a portion of the fee for services provided under the agreement.

Freedom Account fees:

<u>Fee Based Relationship Value</u>	<u>Annual Rate</u>
Up to \$1 million	2.60%
\$1 million up to \$2 million	2.35%
\$2 million up to \$5 million	2.10%
\$5 million up to \$10 million	1.85%
\$10 million and up	1.60%

There is generally a minimum investment of \$300,000 for clients to be eligible for the Freedom UMA Program, although the Conservative Balanced, Aggressive and Global Strategies require a minimum investment of \$600,000.

For further information about Freedom UMA, refer to the RJA Wrap Fee Program Brochure.

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**STANDARD FEES FOR IMPAC**

IMPAC fees are deducted directly from your account 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.

**STANDARD FEES FOR FREEDOM**

Freedom 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.

## STANDARD FEES FOR FREEDOM UMA

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.

## INSTITUTIONAL CLIENT FEES

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.

## Additional Expenses Not Included in 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.

You 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.

Certain open-end mutual funds that may be acquired by you, 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"). Trails are included in the calculation of operating expenses of a mutual fund and are disclosed in the fund prospectus. Karras may receive trails in addition to any advisory fee assessed in your account. The existence of a 12(b)-1 fee is disclosed in the mutual fund prospectus.

You 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. To the extent that you intend to hold fund shares for an extended period of time, it may be more economical for you to purchase fund shares outside of these programs. You may be able to purchase mutual funds directly from their respective fund families without incurring the Registrant's advisory fee or, where applicable, processing and handling fees. When purchasing directly from fund families, you may incur a front or back-end sales charge.

You should also understand that the shares of certain mutual funds offered in these programs 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 RJFS or Karras) to deter “market timers” who trade actively in fund shares. You 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, increase the overall cost to you by 1%-2% (or more). More information is available in each fund’s prospectus.

You 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 RJFS or Karras. This management fee is in addition to the ongoing advisory fee assessed by Karras, and will generally result in clients which utilize a Separately Managed Account Investment Strategy that invests in ETFs paying more than clients utilizing one that does not invest in ETFs, without taking into effect negotiated asset-based fee discounts, if any.

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. Prospective or existing Freedom 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. RJA, through its affiliates, offers a wide range of alternative investments. It is important for you to work with Karras 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 Karras and RJA, through its affiliates, 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.

You should also understand that certain no-load variable annuities may be held in the IMPAC programs and charged an advisory fee. The annual advisory fees charged for these 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's 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 exists.

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 benefits from the use of margin creating a higher absolute market value and therefore receive a higher fee. The use of margin also results in interest charges in addition to all other fees and expenses associated with the security involved.

Your total cost of each of the services provided through these programs, 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 comparisons, you should be aware that the combination of multiple mutual fund 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.

### 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. The sweeps options available will vary depending on account type. Please refer to "Sweeps (Transfers) to and From Income-Producing Accounts" in the "Your Rights and Responsibilities as a Raymond James Client" Brochure, a current copy of which is available from Karras.

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 Securities Investor Protection Corporation ("SIPC")). The custodian may change, modify, or amend an investment option at any time by providing you 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.

Where an unaffiliated third party acts as custodian of account assets, you 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 your 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 your accounts and thus may realize some benefit because of the delay in transferring of such funds to their interest-bearing cash sweep account.

## Other Services

### Buying Securities on Margin and Margin Interest

When clients purchase securities they may either pay for the securities in full or borrow part of the purchase price from Raymond James. Clients that choose to borrow funds for purchases must open a margin account with Raymond James, upon approval based on the firm's analysis of, among others things, the client's creditworthiness and the suitability of margin use by the client. The securities purchased on margin are the firm's collateral for the margin loan. If the securities in the client's account decline in value, so does the value of the collateral supporting the margin loan, and as a result, Raymond James may take action, such as issue a margin call and/or sell securities in the account, in order to maintain the required equity.

It is important that clients fully understand the risks involved in trading securities on margin (including selling short). Upon approval, where applicable, clients will receive a Truth in Lending Statement from Raymond James disclosing such risks, as well explaining the details and conditions under which interest will be charged, the method of computing interest and the conditions under which additional collateral may be required. Clients should understand that the extension of credit by Raymond James to clients will appear as a debit balance on the monthly brokerage statement. While the value of the margined security will appear as a debit, clients with a margin balance in an account(s) in the Ambassador, IMPAC, OSM and/or Passport account programs will be assessed asset-based advisory fees based on the gross value of the account(s) without any offset for margin or debit balances. With respect to short sales, the client will be assessed asset-based advisory fees based on the value of the security sold short, but not on the proceeds received upon initiation of the short sale.

As a result of the foregoing, your IAR and Raymond James benefits by recommending the acquisition of securities on margin or otherwise have margin credit extended (including selling short). In the event of such margin credit extension, the costs incurred by the client, as well as the compensation received by the client's financial advisor and Raymond James, will generally increase as the size of the outstanding margin balance increases. Please refer to the "Client Referrals and Other Compensation Arrangements" section for information regarding additional compensation received by Raymond James in connection with margin interest and short sales.

Clients that purchase securities on margin should understand: (i) the use of borrowed money will result in greater gains or losses than otherwise would be the case without the use of margin, and (ii) there will be no benefit from using margin if the performance of their account does not exceed the interest expense being charged on the margin balance plus the additional advisory fees assessed on the securities purchased using margin.

## 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. You could invest in mutual funds directly,

without the services of Karras. In that case, you would not receive the services provided by Karras which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate for your financial condition and objectives.

### 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 you 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**

Performance-based fee arrangements involve the payment of fees based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Karras and RJFS do not use a performance-based fee structure or participate in any side-by-side management.

### **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 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 investors 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.

## **Item 9      Disciplinary Information**

Karras has no disciplinary history.

## **Item 10      Other Financial Industry Activities and Affiliations**

Employees of Karras are registered representatives of RJFS (member FINRA/SIPC). RJFS is a wholly owned subsidiary of Raymond James Financial, Inc. RJFS clears its securities transactions on a fully disclosed basis through Raymond James & Associates, (member NYSE/SIPC), which is also a wholly owned subsidiary of Raymond James Financial, Inc. As such, these individuals, in their separate capacities as registered representatives, will effect securities transactions, and may receive separate, yet customary compensation for effecting such transactions, including 12b-1 fees for the sale of investment company products. Other fees may be charged for services provided by RJFS. Notwithstanding the fact that employees of Karras may be registered representatives of RJFS, Karras is solely responsible for investment advice rendered. Advisory services are provided separately and independently of the broker/dealer. This relationship could create a material conflict of interest with clients.

Employees may also be appointed with several insurance companies. Employees may be able to receive separate compensation for securities and/or insurance transactions implemented through RJFS and various insurance companies. Clients are not obligated to utilize any of these services for insurance or security product purchases. All clients are free to maintain relationships with other professionals such as insurance agents or securities brokers outside, or in addition to their relationship with Karras.

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

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.

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.

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.

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 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.

## Item 12 Brokerage Practices

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 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 Karras is 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 relies on 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 Financial Services routes order flow through its affiliated broker dealer Raymond James and Associates.

As a result of being a Branch Office of Raymond James, Karras cannot trade away from the broker/dealer.

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. 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**

As part of its fiduciary duties to Clients, Karras endeavors at all times to put the interests of its advisory Clients first. Clients should be aware, however, that the receipt of economic benefits by Karras in and of itself creates a potential conflict of interest.

In addition to the fee based compensation Karras receives for providing advisory services, Karras may act as a registered representative and earn commissions for transactional business in accordance with Raymond James Financial Services, Inc.'s published commission schedule. At the conclusion of each year, qualifying advisers are awarded membership in the Raymond James Financial Services, Inc.'s recognition clubs. Qualification for recognition clubs is based upon a combination of the adviser's annual production (both advisory and transactional), total client assets under administration, and the professional certifications acquired through educational programs.

From time to time Karras and RJFS receives compensation in the form of sponsorship fees for seminars, meetings or conferences from product sponsors such as limited partnerships, affiliated and unaffiliated mutual funds, insurance companies and annuity sponsors. Such sponsorship fees generally entitle the sponsor to an allotted presentation to representatives of Karras and RJFS.

If you act upon Karras's advice and choose to use one of RJFS's affiliates as a money manager, custodian or purchasing insurance, RJFS may receive compensation in the form of commissions from the affiliate. If you choose to use Karras in their individual capacity as an insurance agent, Karras will receive a commission.

Karras, in utilizing any of the previously mentioned account programs offered by RJFS generally receive compensation in the form of asset-based fees, and this compensation is typically credited to Karras on a quarterly basis.

Karras will receive a rebate of Raymond James' management fee equal to .03% of the assets invested in the FREEDOM account program.

IMPAC - Karras will receive a discount on the RJFS Administrative Fee based on the total number of IMPAC Accounts they maintain. This discount is based on economies of scale achieved by RJFS as the number of accounts increase. However, such compensation arrangements may represent a conflict of interest where a financial advisor may have incentive to recommend an asset-based fee account program rather than recommending an alternative product or service.

Financial advisors are typically compensated based on their annual gross revenue production, whereby higher production will generally result in higher payouts. The above additional compensation programs constitute a targeted payout increase to certain qualified financial advisors based on economies of scale achieved by Raymond James, its affiliates and financial advisors at increasing asset levels, and are intended to maintain compensation parity for financial advisors of Raymond James and its affiliates.

### Client Referral Arrangements:

#### Professional Partner's Program

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.

**Item 15 Custody**

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

**Item 16 Investment Discretion**

Karras may have a limited discretionary trading authority to determine the types and amount of securities bought and sold in your account. This authority is granted in writing by you for each account via a discretionary asset management agreement. We cannot take possession of funds or securities.

**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 \$1200 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**

Karras is committed to maintaining the confidentiality, integrity and security of personal information about our current and prospective Clients. Karras considers 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. The policy describes the steps we have taken to safeguard the client's information and what Client information we may share with others. For more information or a copy of our Privacy Policy, contact us at 801-825-3000.

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