

Item 1 - Cover Page – Wrap Fee Brochure

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Wrap Fee Program Brochure

ADV Part 2A Appendix 1

March 2016 Brochure

This wrap fee program brochure provides information about the qualifications and business practices of Karsten Financial Services, LP, which does business as Karsten Advisors (“Karsten”). If you have any questions about the contents of this brochure, please contact us at 800-340-6743 or info@karstenfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Additional information about Karsten also is available on the SEC’s website at www.AdviserInfo.sec.gov.

Item 2 - Material Changes

Since filing our initial Wrap Fee Program brochure in March 2015, we have started using Fidelity Institutional Wealth Services brokerage platform. See Item 6 for more information about brokerage practices. Marcus Walker left our firm in September 2015 and Brian O'Neil left our firm in October 2015. Jerry Jackson joined our firm in September and Jeffrey Zych joined the firm in February 2016. One of our Colorado office locations moved to 801 Main Street, Suite 120, Louisville, CO 80027 in January 2016.

This section of the Disclosure Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this Brochure on the SEC’s public disclosure website (IAPD) at www.adviserinfo.sec.gov.

We may, at any time, update this Disclosure Brochure and send a copy to you with a summary of material changes, or send you only a summary of material changes that includes an offer to send you a copy of the full brochure [either by electronic means (email) or in hard copy form].

If you would like another copy of this Disclosure Brochure, please download it from the SEC website as indicated above, download it from the Karsten Advisors website at www.karstenadvisors.com or contact our President/Chief Compliance Officer, Tom Karsten at (817) 295-7400 or via email at tom@karstenadvisors.com.

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Item 4 – Services, Fees and Compensation

Karsten Financial Services, LP (DBA Karsten Advisors) (“Karsten”) has been in business continually since 2011 and provides financial planning, portfolio management and general consulting services to its clients. Portfolio management services are primarily offered through the “Karsten Advisors Wrap Program” or the “Program”, which has been designed to simplify the payment of management fees and brokerage expenses by combining them into a single charge. We also offer portfolio management services on a non- wrap fee basis in which our client pays a management fee to us and separate transaction fees to a custodian for each transaction. As of December 31, 2015, Karsten managed \$209,289,243 in assets.

In addition to our main office, located at 550 Bailey Avenue, Suite 360, Fort Worth, Texas 76107, we also operate offices located at 1800 Norwood Dr. Suite 104, Hurst, Texas 76054, 6160 S. Syracuse Way, Suite 230, Greenwood Village, Colorado 80111, and another office at 801 Main Street, Suite 120, Louisville, Colorado 80027.

Thomas A. Karsten is the principal owner of Karsten. Please see *Brochure Supplements*, Appendix A, for more information on Mr. Karsten and other individuals who formulate investment advice and have direct contact with clients, or have discretionary authority over client accounts.

Fees paid by clients to participate in the Karsten Advisors Wrap Fee Program include transaction-based charges (e.g., commissions, ticket charges, etc.) as well as the management fee paid to Karsten. Clients who do not participate in the Wrap Fee Program will pay the custodian separately for such transaction-based charges. The standard rate schedules for the Wrap Fee and Non-Wrap Fee programs are set forth below.

For certain investments, either the custodian or the issuer may impose early redemption charges. If there is an early redemption charge on a sell to cover client-requested withdrawals or redemption, this will be passed to the client.

In both the Wrap Fee and Non -Wrap Fee programs, fees paid to Karsten are exclusive of and distinct from the fees and expenses charged by mutual funds, ETFs (exchange traded funds) or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund’s prospectus or offering materials). Clients will pay certain charges to custodians in addition to the charges of the Karsten Advisors Wrap Program, as described below. The client should review all fees charged by funds, the custodians, Karsten and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

Under our wrap fee program Karsten Receives a portion of the Wrap Fee for our services, while a portion is used to pay transaction charges to a broker-dealer for trades we place on client’s behalf.

Clients participating in the Karsten Advisors Wrap Program may pay higher or lower fees than clients purchasing such services separately, depending on the cost of services if provided separately and the level of trading in a particular client’s account. Karsten Advisors Wrap Program fees which Karsten does not pay to third parties in connection with transaction and execution expenses are retained by Karsten. Because of this, Karsten may have a disincentive to trade securities in client accounts. This may create a conflict of interest in determining what type of program (i.e. Wrap or Non-Wrap) Karsten recommends. This conflict of interest is managed through our suitability review process.

Wrap Fee Program Fees

Karsten's annual fee for investment management services provided under Karsten's Wrap Fee Agreement shall be based on the market value of the assets under management in each account and be calculated as follows:

\$0 - \$100,000	2.50%
\$100,001 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.25%
\$1,000,001 - \$2,500,000	1.00%
\$2,500,001 and above	0.75%

Negotiated fees less than those amounts may be agreed upon in certain situations.

Crystal Capital Program Fees

Through a relationship with Crystal Capital Partners, LLC ("Crystal") we are able to provide our qualified clients with customized hedge fund portfolios. Crystal specializes in building customized hedge fund portfolios that help complement the existing holdings of client investments. Through Crystal-sponsored funds, we will have access to hedge fund managers, detailed analytics, reporting and comprehensive due diligence typically available to large institutions. Most customized accounts will be invested with investment managers or investment funds through a series fund organized by Crystal. The investment managers and investment funds that we may recommend will be selected from a list that has been developed by Crystal, based on its quantitative and qualitative research of the managers and funds. After a client approves a customized portfolio the client will invest in a series or portfolio of Crystal Capital Fund Series, LLC or the "Crystal Fund," that is managed by Crystal. The Crystal Funds are private investment funds that have several segregated portfolios. Each portfolio is a separate pool of assets constituting a separate fund with its own investment objectives and policies.

A client investing in a Crystal Fund, will pay higher aggregate fees as a percentage of his or her investment than under Karsten's other programs. This is due to multiple levels of fees and expenses inherent in the structure of the funds. The total fees paid to third-party funds in which the hedge fund invests may be up to 3% of the amount invested. In addition, fees paid to Crystal may total up to an additional 2% of the amount invested. If the specific hedge fund manager achieves a positive performance, that manager may receive a performance-based fee of 10% to 25% of a fund's net profits. Each client who is a prospective investor in a Crystal Fund should carefully review the Private Placement Memorandum of the fund prior to investing.

Assets invested in Crystal funds will be excluded from the calculations of the fees described in the Wrap program fees section above. However, the Crystal fund holding the client's investment will pay Karsten fees based on those assets in an amount not exceeding the schedule set forth above.

Other Compensation

Thomas Karsten, Jeffrey Paladini, Jerry Jackson, and Jeffrey Zych (collectively "the IARs") of Karsten, as well as one other Karsten associate, Michael Harano are also registered representatives of Triad Advisors, Inc. ("Triad"), a FINRA/MSRB/SIPC member, and registered broker-dealer. As such, they are or may be entitled to receive a portion of the commissions or other remuneration on the sale of investment products paid by our clients to Triad. This creates a conflict of interest in that Karsten and its IAR's have an incentive to sell our clients investment products that will pay commissions on other forms of transaction-based compensation. Karsten addresses this conflict of interest by conducting periodic suitability reviews on our clients' portfolios and by disclosing this conflict to our clients through this Brochure. To further assure that our clients' interests

are protected, Karsten's policy is to fully disclose all forms of compensation before any such transaction is executed.

Generally, clients will not pay both a commission to Triad (and indirectly to one of our IARs) and also pay an advisory fee to Karsten on the same assets. There are certain circumstances, however, in which a client will pay a commission or other selling compensation to Triad and also pay Karsten asset-based fees on the same security. These circumstances are:

(1) Triad and/or your investment adviser representative may have received commissions or other compensation on certain investments now subject to Karsten's advisory services fee if the client purchased the investment through one of the IARs in their capacity as a registered representative of a broker-dealer before the client became a Karsten advisory client (that is, prior to signing the Karsten Investment Advisory Agreement). Any such commissions or compensation would have been disclosed on the confirmation sent by the broker-dealer at that time of purchase.

(2) Your investment adviser representative may recommend that clients participate in certain initial public offering ("IPO") and secondary offering ("follow-on offering") opportunities. Karsten IARs make these opportunities available in their capacity as representatives of Triad Advisors, Inc. See Item 10, Other Financial Industry Activities and Affiliations. An affiliate of Triad, Ladenburg Thalmann & Co., Inc., may act as an underwriter or manager of these offerings. Triad, as a member of the selling syndicate, may receive sales compensation for the above referenced security. Usually this compensation is in the form of a "gross spread" (the difference between the price the client pays for the security and the price at which the security was purchased). Triad generally shares this compensation with your Karsten IAR. When a client purchases a security in an IPO or follow-on offering in an IRA or tax-qualified account, Karsten's regular asset-based fee for that security will be waived for two billing cycles. Beginning with the third billing date after settlement of the purchase of the security, if the position is still held by the client in an IRA account, Karsten will bill on the asset on and after that date. In a non-qualified account, Karsten will charge its regular asset-based management fee for that security.

(3) Your investment adviser recommends that you purchase a security other than an IPO or follow-on offering. In such a situation, your IAR will receive a commission.

When a Client purchases a non-traded alternative investment such as a Real Estate Investment Trust, Business Development Company, or private placement, Karsten will waive its advisory fee for a period of eighteen (18) months after the close of the offering.

A conflict of interest exists to the extent that, with respect to assets it manages for clients, Karsten recommends the purchase of IPO or other securities, including the aforementioned alternative investments. This conflict exists because Triad Advisors, Inc. and the IAR receive selling compensation in connection with these transactions. This compensation is disclosed in the offering prospectuses, supplemental prospectus, confirmations and/or separate disclosures for such transactions. Karsten IAR's will not invest client assets in IPO follow-on offerings, or alternative opportunities without consent from its clients (i.e., the IAR's will not exercise their discretion to purchase IPOs).

A conflict of interest also exists because the advisory fee you pay to Karsten is not reduced to offset the selling compensation received by Triad and the Karsten IAR, except temporarily as described above in the case of (1) IRA or other tax -qualified accounts and (2) alternative investments. Thus your IAR earns more compensation in connection with these types of trades than in connection with other types of trades.

Certain Karsten employees are also licensed insurance agents with various insurance companies, including IPA Group Insurance Planners & Advisors Group, Davis Life Brokerage, and Ash Brokerage, none of which are affiliated with Karsten. In such capacity, may recommend, on a fully disclosed commission basis, the purchase of certain insurance products. Karsten employees, in their individual capacities as licensed insurance agents, may sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that Karsten recommends the purchase of insurance products where employees receive insurance commissions or other additional compensation.

Item 5 - Account Requirements and Types of Clients

Karsten's investment management programs are generally offered to individuals, trusts, estates, investment companies, pension and profit sharing plans, corporations and banks or thrift institutions. Presently Karsten advises only individuals, trusts, estates, corporations and charitable organizations. Karsten does not generally impose a minimum portfolio value eligible for conventional investment advisory services or a minimum fee.

Item 6 – Portfolio Manager Selection and Evaluation

Best Execution and Benefits of Brokerage Selection

In recommending the brokerage firm that will execute orders in client accounts, Karsten seeks “best execution” for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, Karsten may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third party research (or any combination), and may be used in servicing any or all of Karsten's clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

Karsten participates in the advisory platforms of Pershing Advisor Solutions, TD Ameritrade, Fidelity Institutional Wealth Services, and Schwab Advisor Services, (together the “Brokers”). While there is no direct link between the investment advice Karsten provides and participation in the programs, Karsten receives certain economic benefits from the programs. These benefits include software and other technology that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated orders for multiple client accounts), provides research, pricing information and other market data, facilitates the payment of Karsten's fees from its clients' accounts, and assists with back -office functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of Karsten's accounts, including accounts not held at the Brokers. The Brokers may also make available to Karsten other services intended to help Karsten manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. The Brokers may discount or waive fees it would otherwise charge for some of these services, pay all or a part of the fees of a third-party providing these services to Karsten, and/or the Brokers may pay for travel expenses relating to participation in such training. Finally, participation in the programs provides Karsten with access to mutual funds which normally require significantly higher minimum initial investments or are normally available only to institutional investors.

These services are not necessarily soft dollar arrangements, but are part of the institutional platform offered by the Brokers and unavailable to the public generally. Consequently, we consider the value of these services in

determining whether the selected Broker provides the best execution for client's accounts.

The benefits received through participation in the programs do not depend upon the proportion of transactions directed to the broker. The benefits are received by Karsten, in part because of commission revenue generated for the brokers by Karsten's clients. This means that the investment activity in client accounts is beneficial to Karsten, because the Brokers do not assess a fee to Karsten for these services. This creates an incentive for Karsten to continue to recommend the Brokers to its clients. While it may be possible to obtain similar custodial, execution and other services elsewhere at a lower cost, Karsten conducts best execution reviews to monitor and assure that any broker it recommends, including those from which the above-described benefits are obtained, are providing best execution to Karsten's clients.

The receipt of these benefits creates a conflict of interest, in that Karsten may have an incentive to refer clients to a particular custodian because of the receipt of benefits by Karsten clients. Karsten addresses these conflicts of interest by engaging in best execution review as part of determining which custodians it will recommend to clients and by periodically reviewing client's accounts to make sure that the custodian selected provides the best service for the client's particular needs.

Item 7 - Client Information Provided to Portfolio Managers

The Karsten Advisors Wrap Program was designed to simplify for clients the payment of management fees and brokerage expenses. Karsten is the primary Portfolio Manager for the Program. However, when appropriate in light of the Investment Plan for a particular client, Karsten may recommend that the Client invest in a pooled investment vehicle, also sometimes known as a "private fund" or "hedge fund," offered by Crystal Capital International Fund SPC, Crystal Capital Fund Series, LLC, and Crystal Capital Strategies Fund, LLC (hereinafter "Crystal Funds" or "Crystal"). Crystal offers two programs that allow high-net-worth investors to create individualized portfolios by choosing from among several strategies preselected and managed by Crystal. There are several layers of fees paid by Karsten clients for this investment, including management fees paid to Karsten. See Item 5 of part 2A for more information.

Item 8 - Client Contact with Portfolio Managers

There are no restrictions placed on clients' ability to contact and consult with their portfolio managers.

Item 9 - Additional Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Karsten or the integrity of Karsten's management. Karsten has no disciplinary events to report.

As noted in Form ADV Part 2A **Item 5 - Fees and Compensation**, Thomas A. Karsten, Jeffrey C. Paladini, Jerry Jackson, and Jeffrey Zych ("IARs") of Karsten, as well as Karsten associate Michael Harano, are also registered representatives of Triad Advisors, Inc ("Triad"), a FINRA/MSRB/SIPC member, and registered broker/dealer. Please see Form ADV Part 2A **Item 5 - Fees and Compensation** for more information.

Our affiliation with Triad creates a conflict of interest in that Karsten and its IAR's and any other registered representatives have an incentive to sell our clients investment products that will pay commissions. Karsten addresses this conflict of interest by conducting periodic suitability reviews on our clients' portfolios and by disclosing this conflict to our clients through this Brochure. To further assure that our clients' interests are protected, Karsten's policy is to fully disclose all forms of compensation before any such transaction is executed.

Karsten also offers tax preparation and bookkeeping services. Fees for these services are separately negotiated and charged but are generally provided on an hourly basis, payable in arrears. Because increased investment activity can generate a higher need for accounting services, a conflict of interest may arise. We ameliorate these conflicts in the same ways as described in the immediately preceding paragraph.

Certain Karsten employees are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully disclosed commission basis, the purchase of certain insurance products. Karsten employees, in their individual capacities as licensed insurance agents, may sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that Karsten recommends the purchase of insurance products where employees receive insurance commissions or other additional compensation

Code of Ethics

Karsten has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. Karsten's Code has several goals. First, the Code is designed to assist Karsten in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, Karsten owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires Karsten associated persons to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for Karsten's associated persons (managers, officers and employees). Under the Code's Professional Standards, Karsten expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, Karsten associated persons are not to take inappropriate advantage of their positions in relation to Karsten clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time Karsten's associated persons may invest in the same securities recommended to clients. Under its Code, Karsten has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

Participation or Interest in Client Transactions

Karsten does not buy from or sell to clients securities for Karsten's own account. Karsten's IARs receive selling compensation for certain IPO and follow-on offerings that may be sold from the account of an affiliate of Triad. The conflicts of interests that relate to such transactions and how we manage such conflicts are described in Item 5 – Fees and Compensation.

As outlined above, Karsten has adopted procedures to protect client interests when its associated persons invest in the same securities as those selected for or recommended to clients. However, in the event of other identified potential trading conflicts of interest, Karsten Investment's goal is to place client interests first.

Consistent with the foregoing, Karsten maintains policies regarding participation in initial public offerings (IPOs) and private placements in order to comply with applicable laws and avoid conflicts with client transactions. If a Karsten associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer. If associated persons trade with client accounts (e.g., in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's order will be filled pro rata with those of the clients.

Personal Trading

Karsten prohibits its associated persons from engaging in trading of securities based on insider information, and requires any such information to be reported to Karsten's Chief Compliance Officer. Additionally, Karsten prohibits its associated persons from engaging in transactions that may benefit that person at the expense of Karsten's clients. To enforce this rule, Karsten requires persons with access to customer trading information to report their own personal and household holdings and transactions to the Chief Compliance Officer on a regular basis.

All such persons must also seek and obtain approval by the CCO before directly or indirectly acquiring any Beneficial Ownership in any security in an Initial Public Offering or in a Limited Offering.

Client Referrals and Other Compensation

As noted above, Karsten may receive some benefits from the Brokers based on the amount of client assets held at the Brokers. Refer to the description of the conflicts of interest created by the payments received from custodians, discussed in Item 4. However, neither the Brokers nor any other party is paid to refer clients to Karsten.

Financial Information

Karsten does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore has no disclosure with respect to this Item.