



**ADV Part 2 Firm Brochure**

March 26, 2020

**Brett Nolan Karras, CFP®**

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**The Karras Company**

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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@thekarrascompany.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. The term Registered Investment Advisor does not imply a certain level of skill or training.

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

## ITEM 2 MATERIAL CHANGES

This section describes only the material changes that have been made to the Firm's Brochure since the last annual update amendment on March 29, 2019. This Firm Brochure, dated January 28, 2020, has been prepared with information required because of recent changes on reporting and disclosure information for investment advisors.

### **Pages 4-5: "ADVISORY BUSINESS"**

Language in this section was revised to provide a more succinct and plain-English explanation of the services that Karras provides to clients.

### **Page 6: "FEES AND COMPENSATION: ADVISORY PROGRAMS"**

Karras updated the fee schedules listed for the IMPAC, Passport, Freedom and American Funds Model Portfolio programs to reflect Karras' adopted schedule.

### **Page 14-15: "FEES AND COMPENSATION: INVESTMENT OF CASH RESERVES"**

Raymond James changed the cash sweep options available to Clients within their accounts; as a result, Karras updated the bulk of this section to better outline the available sweep options currently available to Clients and to remove old and outdated information regarding sweep options that are no longer offered.

### **Page 16: "TYPES OF CLIENTS"**

Language in this section was revised to better clarify the types of clients to whom Karras provides services.

### **Pages 16-19: "METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS"**

This section was reorganized, with language added and/or revised to better describe the analysis and investment processes that Karras' employs to serve our clients. In addition, the sub-section "Principal Risks" was added to clarify potential risks and their individual definitions.

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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' 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@thekarrascompany.com](mailto:brett.karras@thekarrascompany.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 24th year of operation. As of December 31, 2019, The Karras Company provides advice on \$1,722,171,407 of client assets ("Assets Under Advisement" or "AUA"). Regulatory assets under management (AUM) total \$234,495,605. These figures are detailed below.

### *Amount of Assets Under Management*

The amount of client assets Karras manages on a discretionary basis, as of as of December 31, 2019: \$213,147,176.

The amount of client assets Karras manages on a non-discretionary basis, as of as of December 31, 2019: \$21,348,429.

### *Amount of Assets Under Advisement*

The amount of client assets for which Karras provides investment advice, as of December 31, 2019: \$1,722,171,407.

Assets Under Advisement includes: assets under management; assets for which we provide investment advice that are held externally (we do not implement trades); and assets held under RJFS but not covered by an advisory agreement.

### *Affiliation*

The primary affiliation of Karras is through its broker/dealer Raymond James Financial Services, Inc. ("RJFS"), member FINRA/SIPC. RJFS is a broker/dealer and primarily in the business of selling securities and other investments including annuities, fixed income securities, and life insurance products, on a full-time basis in all 50 states, including Washington D.C., Puerto Rico and the U.S. Virgin Islands.

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.

### 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 provides financial planning and investment advisory services to select individual clients, trusts, estates, and charitable organizations.

We provide investment consulting and/or supervisory services involving an analysis of a particular investment, investment portfolio or overall financial situation. We also provide financial planning and investment consulting services designed to meet your specific financial needs and objectives. Our services may include a review of your current financial situation, with an emphasis on portfolio analysis, estate planning, insurance planning, education planning, retirement planning, tax planning and/or capital needs planning.

When preparing a financial plan, we gather information deemed relevant to the particular service provided through personal interviews with you and through documents and/or client profile questionnaires. Based on each client's selection, each service may include an analysis of related financial information, which may, but is not necessarily required

to, include items such as: current assets, income, investments, liabilities, short and long-term capital and liquidity needs, risk tolerance and short and long-term financial goals and objectives.

Your IAR works with you to determine the appropriate investment objectives based on the information you provide initially, and periodically thereafter. With this information, you and your adviser may select to participate in an advisory program or utilize a commission account. Please refer to Item 5 for additional details on these accounts. If you wish to impose or modify an existing investment restriction, you may do so at any time by discussing this with your IAR.

The decision to implement any recommendation rests exclusively with you, and you have no obligation to implement any such recommendations through us or RJFS.

Financial planning and consulting fees are negotiable between the client and the IARs of Karras. 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 mutually agreed upon between the client and the IARs of Karras. The fees for financial planning and consulting services can be structured as an hourly rate, fixed dollar fee, as a percentage of assets being advised upon or as a combination of. Services rendered and the fees charged are disclosed in the appropriate agreement. Advisory fees or commissions generated in the implementation of a plan through Raymond James or its affiliates may be used to offset financial planning and/or investment consulting fees. It is possible that you may pay more or less for similar services which may be available through another firm.

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 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

In addition to providing financial planning and investment consulting services to individuals and entities, we also provide advice and consultation to institutions, corporations, business entities and/or employer-sponsored retirement plans.

Services rendered may include, but are not necessarily limited to, the development of a documented investment process, asset allocation, research and investment recommendations, plan participant education, investment or investment manager performance monitoring and guidance to the plan sponsor on their fiduciary obligations to plan participants.

## **ITEM 5 FEES AND COMPENSATION**

### Advisory Services

Karras may be compensated for advisory services through fees from advisory programs (IMPAC, Freedom, Ambassador, Passport, etc), fixed fees (one-time or ongoing), hourly charges, other asset-based fees (generally % of assets advised on), commissions or some combination of these. 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.

Karras provides investment advisory services through any of the following programs:

Advisory Account Programs

<i>Fee Based Relationship Value</i>	<i>Fee</i>
Up to \$1 Million	1.00%
\$1 Million to \$5 Million	0.85%
\$5 Million to \$10 Million	0.75%
Over \$10 Million	Negotiable

*Investment Management Program for Advisory Clients (IMPAC)*

The Investment Management Program for Advisory Clients (“IMPAC”) is a fee-based account, offered and administered through RJFS, in which you are provided with ongoing investment advice and monitoring of securities holdings. Karras will manage your account on a discretionary or non-discretionary basis according to your objective. This account offers you the ability to pay an asset based advisory fee and, in some instances, a nominal transaction charge in lieu of a commission for each transaction; these charges are in addition to the advisory fee and are incurred upon purchase. Please Refer to the “Transaction Charges” section for more information. RJFS receives a portion of the advisory fee.

*Ambassador*

The Ambassador program is a wrap fee investment advisory account offered and administered by RJFS. Karras will manage your account on a discretionary or non-discretionary basis according to your objective. Ambassador offers you the ability to pay an asset-based advisory fee, which is inclusive of transaction costs and charges, in lieu of a commission for each investment transaction within the account. RJFS receives a portion of the fee.

For further information, refer to the RJFS Wrap Fee Program Brochure:

**<https://www.raymondjames.com/legal-disclosures>**

*Passport*

The Passport Account is a fee-based account, offered by RJFS and administered Karras, in which you are provided with ongoing investment advice and monitoring of securities holdings. Karras will manage your account on a discretionary or non-discretionary basis according to your objective. This account offers you the ability to pay an asset based advisory fee and, in some instances, a nominal transaction charge in lieu of a commission for each transaction; these charges are in addition to the advisory fee and are incurred upon purchase. Please Refer to the “Transaction Charges” section for more information. RJFS receives a portion of the advisory fee.

Managed Advisory Account Programs

<i>Fee Based Relationship Value</i>	<i>Fee</i>
Up to \$1 Million	1.00%
\$1 Million to \$5 Million	0.85%
\$5 Million to \$10 Million	0.75%
Over \$10 Million	Negotiable

*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 RJA 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.

There is generally a minimum investment of \$25,000 for most Freedom Strategies; with the exception of the Freedom Retirement Income Solution Strategy, which requires a \$100,000 minimum investment, and the Freedom Foundation and

the Freedom Environmental, Social & Governance (ESG) Strategies, which may be opened with a \$5,000 minimum investment.

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

**<https://www.raymondjames.com/legal-disclosures>**

#### *American Funds Model Portfolios*

The American Funds Model Portfolios Program (“American Funds Program”) is a mutual fund advisory service that provides clients the opportunity to allocate assets among various asset classes that cover a variety of investment objectives (each an American Funds “Model”). Similar to the Freedom program, the American Funds Program is an asset allocation-based mutual fund investment program. However, unlike the Freedom program where the Investment Committee establishes the asset allocation and selects the Funds for investment, the American Funds Program invests exclusively in American Funds mutual funds.

Upon the client’s selection of a Model, the client appoints Raymond James to manage each participating account on a discretionary basis with full power to buy, exchange and/or sell American Funds no-load mutual fund shares based on predetermined model portfolios held in the client’s name. Capital Research and Management Company (“Capital Research”), the adviser to the American Funds family of mutual funds, develops the portfolio asset allocation and selects the underlying funds populating each Model.

There is generally a minimum investment of \$5,000 for clients to be eligible for the American Funds Model Portfolios Program.

For further information about American Funds Model Portfolios, refer to the current RJA Wrap Fee Program Brochure:

**<https://www.raymondjames.com/legal-disclosures>**

#### *Freedom UMA*

The Freedom Unified Managed Account (“UMA”) is an investment advisory account which, like the Freedom account, allows you to allocate your assets through discretionary mutual fund or ETF management, based upon your financial objectives and risk tolerances. Additionally, your assets may be invested through affiliated or unaffiliated investment advisers (“Managers”) registered with the SEC with which RJA has entered into a sub-advisory agreement. Karras receives a portion of the fee for services provided under the agreement. For further information, refer to the RJA Wrap Fee Program Brochure.

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 current RJA Wrap Fee Program Brochure:

**<https://www.raymondjames.com/legal-disclosures>**

#### Transaction Charges

#### *IMPAC and Passport*

Select fund companies (“Partner Funds”) have entered into a selling agreement with RJFS and may be classified as either an NTF Partner Fund or a Non-NTF Partner Fund, per the agreement. Purchases of NTF Partner Funds will be subject to a \$15 transaction, which will be credited back to the account. Purchases of Non-NTF Partner Funds will incur the \$15 transaction fee in both non-retirement and retirement accounts, except for accounts that are subject to ERISA.

All other fund companies (“Non-Partner Funds”) do not have a selling agreement with RJFS and are subject to other transactional costs. Purchases of Non-Partner Funds within retirement accounts will be subject to a \$15 transaction fee while purchases of Non-Partner Funds within non-retirement accounts will incur a \$40 transaction fee.

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.

#### Asset Based Fees

For purposes of calculating and assessing asset-based fees, Karras 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 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, Karras 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, Karras 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 Karras. You understand that the account statement will show the amount of the asset-based fee.

The asset-based fees associated with the advisory account programs include all execution and clearing charges except: (i) 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 (ii) 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.

#### *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 across all eligible fee-based advisory programs).

Related Accounts are accounts of an individual, his or her spouse, and their children under the age of 21 and includes individually owned accounts, accounts owned jointly, 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.



## The Karras Company

Participants in an advisory program may be entitled to discounted asset-based fees if they maintain one or more eligible Related Accounts within this program or multiple advisory programs. Related Accounts, for the purpose of discounted fees, follow the same definition outlined above. Thus, Related Accounts participating in the advisory 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.

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

### Discretionary Authority

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 front-end 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.

The following chart helps to illustrate which account types permit the use of Client-Designated and Raymond James-Designated Administrative-Only Assets:

<u>Account Type</u>	<u>Client-Designated</u>	<u>Raymond James-Designated</u>
Non-discretionary (all)	Permitted	Permitted
Discretionary/Non-Retirement	Permitted	Permitted
Discretionary/Retirement	Not Permitted	Permitted

PLEASE NOTE: The designation of Client-Designated Administrative-Only Assets and the maintenance of such positions in the client's account are not permissible in discretionary retirement accounts (such as IRAs and employer sponsored

retirement plans). The underlying premise of this prohibition is that the maintenance of assets in a discretionary retirement account that is 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 own interest and not the client's best interest (such as selling the security to increase the financial advisor's compensation). Raymond James has elected to preserve the ability for clients and their financial advisors to designate assets as Client-Designated Administrative-Only in their taxable and non-discretionary retirement accounts in order to maintain client choice and avoid the need to maintain a separate account to hold these securities or cash.

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.

#### Billing on Cash Balances

Karras assesses advisory fees on cash sweep balances and money market funds ("cash") held in IMPAC, Ambassador and Passport accounts.

Effective October 1, 2018, Karras will assess advisory fees on cash sweep balances held in IMPAC, Ambassador and Passport accounts, provided the cash balance does not exceed 20% of the total billable Account Value for three consecutive quarterly valuation dates (also known as the "Cash Rule"); the amount in excess of 20% is excluded from billing. For example, an IMPAC account that held 30% of the account value for three consecutive billing valuation dates (March 31<sup>st</sup>, June 30<sup>th</sup> and September 30<sup>th</sup>) would have the amount in excess of 20%, or 10%, excluded from the account value in which advisory fees are applied. For simplicity of illustration, assuming an account was valued at \$100,000 for all three quarterly billing periods, with \$30,000 held in cash, the September 30<sup>th</sup> valuation date would exclude \$10,000 of the cash from the account value when assessing the advisory fee.

The Cash Rule is intended to equitably assess advisory fees to your assets for which an ongoing advisory service is being provided, and the exclusion of excess cash from the advisory fee is intended to benefit the clients holding substantial cash balances (as a percentage of the total individual Account Value) for an extended period of time. Clients should be aware of and understand the following:

- i. 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.
- ii. This provision may pose a financial disincentive to Karras, as cash will not be included in the asset-based fee charged to the account. This may cause Karras to reallocate (in a discretionary account) or advise you to reallocate (in a non-discretionary account) your account from cash to advisory fee eligible investments in order to avoid the application of the provision and therefore receive a fee on the full asset value in your account(s).

The aforementioned Cash Rule is applicable only to cash sweep balances and, therefore, non-sweep money market investments would not result in excess "cash" balances being excluded from the asset-based advisory fee calculation and such amounts would be billed accordingly.

Cash balances are generally expected to be a small percentage of the overall account value within Freedom and Freedom UMA accounts and therefore these accounts are not subject to the Cash Rule.

## Other Fees

Outside of investment advisory fees deducted from accounts held at RJFS for the investment advice rendered on those assets, other services provided by Karras can be provided under a variety of arrangements which can differ based on the needs of the client.

Other fee arrangements include: fixed retainer fees, hourly fees, and asset-based fees (generally a % of assets advised on). These fees will be assessed on the agreed upon schedule (annual, quarterly, monthly, or one-time), and for the agreed upon period (in arrears or in advance). Additionally, terms of the advisory or consulting contract may include reimbursement for other expenses incurred by Karras.

When an hourly arrangement is desired, 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 Ambassador and Passport*

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, Freedom UMA and American Funds Model Portfolios*

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.

### *Other Client Fees*

Fees can be remitted via check, debit from an account custodied with RJFS (non-retirement accounts only), or any other manner agreed upon by the firm and client and outlined in the executed advisory or consulting agreement.

## 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 of the following items:

### *Maintenance*

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.

### *Mutual Funds*

Mutual fund expenses are generally described in each funds' 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.

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. The existence of a 12(b)-1 fee is disclosed in the mutual fund prospectus. By default, the Client receives 12(b)-

1 trails on wrap-eligible funds and the financial adviser receives 12(b)-1 trails on non-wrap eligible funds. 12(b)-1 fees, when received by a Client, will be credited to the account on a bi-monthly basis with credits appearing as a "Mutual Fund Fee Credit" on the brokerage statement.

You should understand that the annual advisory fees charged in an advisory account 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 an 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 may impose short-term trading charges, for redemptions generally made within short periods of time, or a contingent deferred sales charge ("CDSC") (typically 1% of the amount originally invested) for redemptions of mutual funds held less than one year. 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% (or more). More information is available in each fund's prospectus.

In June 2018, Raymond James began converting existing advisory fee-eligible mutual fund positions in advisory accounts to a specific mutual fund share class ("wrap recommended share class") in an effort to provide advisory clients with the lowest cost share class available through Raymond James. This conversion does not apply to non-wrap eligible, non-billable positions (such as C shares). Raymond James will perform ongoing quarterly maintenance conversions to ensure the wrap recommended share class has been selected for the client's account. These share class conversions are non-taxable events, and clients' cost basis will carry over to the new wrap recommended share class.

Also, Raymond James has established conversion processes to exchange class C shares to a lower cost share class once the class C shares have been held for at least one year or are otherwise no longer subject to the fund company's CDSC. The one year holding period is the require minimum holding period typically established by fund companies before they become eligible for exchange to another share class without being subject to the CDSC. However, certain funds may require that investors hold the class C shares greater than or less than one year before these shares are CDSC-free. CDSC-free class C shares held in advisory program accounts will automatically be exchanged, on a tax-free basis, to the recommended share class by Raymond James on a quarterly basis. For example, a client that holds \$50,000 in class C shares purchased 6 months ago that subsequently transfers these shares in to the IMPAC account will not be assessed an advisory fee for 6 months (the remaining time until the one year holding period expires). Although, the shares will be subsequently exchanged by Raymond James to the recommended share class the month after they are CDSC-free, at which point the newly exchanged shares will be subject to advisory fees.

#### *Exchange Traded Funds*

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*

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.

### *Variable Annuities*

You should also understand that certain no-load variable annuities may be held in the advisory account programs and may be 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.

### *Certificates of Deposit*

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

### *Additional*

You should also understand that more sophisticated investment strategies such as short sells and margins may be offered. 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:

- i. obtain the services provided within the programs separately with respect to the selection of mutual funds,
- ii. invest and rebalance the selected mutual funds without the payment of a sales charge, and
- iii. 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 sweep options available will vary depending on account type and include the following:

- Client Interest Program® (CIP)
- Raymond James Bank Deposit Program (“RJBDP”), including:
  - RJBDP – Raymond James Bank Only
  - RJBDP with CIP

For more information, 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, or can be found by visiting the Raymond James public website for additional information:

**<https://www.raymondjames.com/wealth-management/advice-products-and-services/banking-and-lending-services/cash-management/cash-sweeps>**

This website also includes a link at which the interest rates and rate tiers for the various sweep options are posted online. For information on the rate being paid on your particular account(s), please contact Karras or consult your periodic statements.

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.

In the RJBDP sweep program, Raymond James receives revenue from the participating banks. Each participating bank, except Raymond James Bank, will pay Raymond James a fee equal to a percentage of the average daily deposit balance in the client account at the bank. The fee paid to Raymond James may be an annual rate of up to an average of 3% as applied across all client accounts taken in aggregate. Raymond James Bank will pay Raymond James an annual fee of up to \$100 per account. Raymond James does not receive fees in connection with account deposits of advisory IRAs and ERISA accounts.

Deposits in client accounts at Raymond James Bank provide a stable and low-cost source of funds for Raymond James Bank which helps contribute to the overall profitability of the Bank. Raymond James Bank generally earns a higher rate of interest on deposit balances than the interest it pays on those balances. The banks participating in the sweep programs earn income by lending or investing the deposits they receive and charging a higher interest rate to borrowers, or earning a higher yield, than the participating banks pay on the deposits held through these sweep programs. Like the other participating banks in the program, Raymond James Bank earns revenue minus interest paid by Raymond James as a participating member to clients who have assets on deposit at Raymond James Bank. Raymond James Bank may also buy

securities using the deposits placed in the FJDBP sweep program. Raymond James Bank uses the funds in the client accounts to fund new lending and investment activity. The revenue received by Raymond James Bank on those balances is dependent upon lending activities and which securities are purchased. The profitability of Raymond James Bank is determined in large part by the difference between the interest paid and other costs associated with its deposits, and the interest or other income earned on its loans, investments and other assets.

Raymond James Bank and the interest rate it offers through the RJBDP sweeps may differ from the interest rate or yield on the Client Interest Program ("CIP"). Raymond James bank does not receive revenue for assets held within the CIP sweep program and in those cases where assets are not allocated to Raymond James as part of the RJBDP sweep program.

The revenue generated by Raymond James or an affiliate will vary compared to revenue generated by sweep programs available at other firms. The interest rate or yield on the Raymond James sweep programs may be higher or lower than the interest rate or yield available in other sweep programs at other institutions. Clients may be able to earn more favorable rates of return by investing in other asset classes, including alternatives to cash such as money market mutual funds and treasury bills, but performance of those asset classes is not guaranteed.

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 advisory account 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 Item 14: "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 clients must be aware of that fact as they consider our recommendations. We have adopted internal policies to properly manage these and other potential conflicts of interest. Our goal is that our advice to you remains at all times in your best interest, disregarding any impact of the decision upon our firm.

### **ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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, institutions, corporations and business entities.

Karras generally requires new clients to have a minimum of \$250,000 in assets under management; however, Karras may also accept smaller accounts related to a current client relationship already established and IARs of Karras reserve the right to waive minimums based upon the specific circumstances of an account or a relationship.

Clients must also be at age of majority to open an account with Karras.

### **ITEM 8 METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### General

Karras provides an investment strategy and its implementation for clients, and clients of Karras receive the benefit of Karras' developed investment philosophies and strategies, research and due diligence, account monitoring and personal financial planning recommendations.

The investment programs and strategies recommended for you are based upon your investment objectives, financial situation and tolerance for risk as identified during consultations with your IAR. It is important for you to review investment objectives, risk tolerance, time horizon, tax objectives and liquidity needs with your IAR prior to selecting an investment product, program or strategy. All investments carry a certain degree of risk and no one particular security, investment product, investment style or portfolio manager is suitable for all types of investors.

#### Methods of Analysis

Karras may employ one of more of the following methods of investment analysis:



*Fundamental Analysis:* Involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for an investment's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

*Charting Analysis:* Involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends. Charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

*Technical Analysis:* Involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.

*Cyclical Analysis:* A type of technical analysis that involves evaluating recurring price patterns and trends. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

#### *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 and technology, general economic, market and financial information, due diligence reviews and specific investment analysis that clients may request.

The main source of our information and research is provided via our affiliation with Raymond James through their reports provided by their numerous analysts, economists, experts and leaders. IARs of Karras also attend various investment and financial planning conferences, as well as, maintain their continuing education requirements.

#### Investment Strategies

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. A tremendous amount of research reveals that strategic asset allocation is determinative of the majority of the expected long-term gross returns of investors' 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.

To achieve this strategic allocation, Karras focuses on providing clients a diversified investment portfolio, incorporating large and small cap equities, international equities, fixed income, a broad spectrum of mutual funds and exchange traded funds and other alternative asset classes such as real estate and commodities. The exact composition of recommended programs and investment strategies will be determined by the client's legal and tax considerations and greatly influenced by the client's liquidity needs and tolerance for risk (portfolio fluctuations).

The portfolios of clients may then follow models designed by Karras to fit the overall weightings of equities, fixed income and alternatives. 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.

At times, other investment products and/or securities may be utilized in order to achieve a specific tactic and/or complement the existing investment strategy. These may include, but are not limited to, annuities and insurance products, commodities, options, cash alternatives.

Client's portfolios are monitored regularly and 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.

### Principal Risks

Investing in securities involves risk of loss that you should be prepared to bear. All investment programs have certain risks that are borne by the investor. Among others, investors face the following investment risks:

*Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

*Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

*Inflation Risk:* This type of risk is the chance that future cash from an investment will not be worth as much due to inflation. Inflation is the increase in the price of goods and services, which causes purchasing power to erode.

*Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

*Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

*Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of loss than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

*Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, U.S. Treasury Securities are highly liquid, while real estate properties are not.

*Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profit loss, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

*Correlation Risk:* This is the risk that the actual correlation (a statistical measure of how two or more variables move in relation to each other) between two assets (or variables) will be different than the correlation that was assumed or expected. Differences between the actual and expected correlation may result in a portfolio being riskier than was anticipated.

*Counterparty/Default Risk:* This is the risk that a party to a contract will not live up to (or will default on) its contractual obligations to the other party to the contract.

*Valuation Risk:* This is the risk that an asset is improperly valued in relation to what would be received upon its being sold or redeemed at maturity.

*Tax Risk:* This is the risk that tax laws may change and impact the underlying investment premise or profitability of an investment.

*Cybersecurity Risk:* Intentional cybersecurity breaches include unauthorized access to systems, networks, or devices (such as through "hacking" activity); infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. In addition, unintentional incidents can occur, such as the inadvertent release of confidential information (possibly resulting in the violation of applicable privacy laws). A cybersecurity breach could result in the loss or theft of customer data or funds, the inability to access electronic systems ("denial of services"), loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause an investment fund, the advisor, a manager, or other service providers to incur regulatory penalties, reputational damage, additional compliance costs, or financial loss.

*Technology Risk:* Raymond James must rely in part on digital and network technologies to conduct its business and to maintain substantial computerized data relating to client account activities. These technologies include those owned or managed by Raymond James as well as those owned or managed by others, such as financial intermediaries, pricing vendors, transfer agents, and other parties used by Raymond James to provide services and maintain its business operations. These technology systems may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond Raymond James' or its service providers' control. Technology failures, whether deliberate or not, including those arising from use of third-party service providers or client usage of systems to access accounts, could have a material adverse effect on our business or our clients and could result in, among other things, financial loss, reputational damage, regulatory penalties or the inability to conduct business.

Karras' investment philosophy is best suited for investors who desire a buy and hold strategy for substantial portion of their funds. Karras does not engage in market timing activities. 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.

## **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 clients' 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 principal 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 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, whereas other advisers may require clients to use a direct broker dealer. 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 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 the Raymond James Financial 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 Advisory Agreement accounts or financial plans are reviewed formally, at least annually; accounts are frequently monitored and reviewed informally. Reviews are performed by Brett Karras CFP®, President, and/or by William Merrell CFP®, Financial Advisor. 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 CFP® and/or William Merrell CFP®. 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, IARs of 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' advice and choose to use one of RJFS' 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 receives compensation in the form of asset-based fees, and this compensation is typically credited to Karras on a quarterly basis.

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. RJA acts as custodian for Client assets and will provide account statements at least quarterly.

#### **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. Proxies and other correspondence relating to Client securities will be sent directly from RJFS and 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 greater than \$1200 per client, 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.