

# KRILOGY FINANCIAL, LLC

## CLIENT BROCHURE

*This brochure (Part 2A of Form ADV) provides information about the qualifications and business practices of Krilogy Financial, LLC. If you have any questions about the contents of this brochure, please contact us at (314) 884-2800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Krilogy Financial, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Krilogy Financial, LLC's CRD number is: 149046*

*Registration of an Investment Advisor does not imply a certain level of skill or training.*



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*Version Date 02/01/2012*

## Item 2: Material Changes

Krilogy Financial, LLC has not yet filed an annual updating amendment using the ADV Form 2A. Therefore there are no material changes to report.

On July 28, 2010, the United State Securities and Exchange Commission published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated 03/01/2011 is a new document prepared according to the SEC's new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Krilogy Financial at (314) 884 -2800. Our Brochure is also available on our web site [www.Krilogy.com](http://www.Krilogy.com), also free of charge.

Additional information about Krilogy Financial is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Krilogy Financial who are registered, or are required to be registered, as investment adviser representatives of Krilogy Financial.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Krilogy Financial LLC was organized as a limited liability company as of December 9, 2008. The principal owner and founding member is Kent Scott Skornia. We specialize in providing personalized investment advisory services to individuals, families, retirement plans, and businesses. An asset-based fee is charged for investment advisory services.

### **B. Types of Advisory Services**

Krilogy Financial, LLC offers the following services to advisory clients:

#### ***Investment Supervisory Services***

Krilogy Financial offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Krilogy Financial creates an Investment Policy Statement for each client, which outlines the client's current situation (risk tolerance level) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

Krilogy Financial evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Krilogy Financial will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### ***Financial Planning***

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

#### ***Services Limited to Specific Types of Investments***

Krilogy Financial limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, hedge funds, third party money managers, REITs, insurance products including annuities, private placements, government securities. Krilogy Financial may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

Krilogy Financial offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Krilogy Financial from properly servicing the client account, or if the restrictions would require Krilogy Financial to deviate from its standard suite of services, Krilogy Financial reserves the right to end the relationship.

### **D. Wrap Fee Programs**

Krilogy Financial does not participate in any wrap fee programs.

### **E. Amounts Under Management**

Krilogy Financial has the following assets under management:

	<b>US DOLLAR AMOUNT:</b>	<b>TOTAL NUMBER OF ACCOUNTS:</b>
<b>Discretionary Accounts:</b>	<b>\$ 81,063,160.42</b>	<b>808</b>
<b>Non-Discretionary Accounts:</b>	<b>\$20,659,587.45</b>	<b>317</b>
<b>TOTAL</b>	<b>\$101,722,747.87</b>	<b>1,125</b>

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
\$1 - \$250,000	1.25%
\$250,001 - \$1,000,000	1.00%
\$1,000,001 - \$2,000,000	0.75%
Above \$2,000,000	0.50%

#### *Annual Fee Schedule 401(k) or qualified retirement plan:*

Total Assets Under Management	Annual Fee
\$1 - \$2,000,000	0.50%
\$2,000,001 to \$5,000,000	0.40%
\$5,000,001 to \$10,000,000	0.30%
Above \$10,000,001	0.20%

All fees are subject to negotiation. The specific manner in which fees are charged by Krilogy is established in a client's written agreement with Krilogy Financial. The final fee schedule is attached as Exhibit II of the client's Investment Advisory Contract.

Fees are paid to Krilogy quarterly in advance, meaning Krilogy will invoice a client at the beginning of the three-month billing period. Client fees will be debited from client accounts by Krilogy when available or may be billed to the client directly. Fees shall be prorated for each capital contribution made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Account initiated or terminated during a calendar quarter will be charged a prorated fee. Clients may terminate their contracts with thirty days' written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded upon written request from the client. Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract.

#### *Financial Planning Fees*

##### *Hourly Fees*

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$250 and \$400. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are



paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Krilogy Financial will withdraw advisory fees directly from the client's account unless otherwise noted. Fees are paid quarterly in advance. The Custodian will deduct from client's account(s) and pay the fees each quarter after Krilogy Financial submits a bill to the Custodian. The Custodian will send client a quarterly, or if available monthly, statement showing all amounts paid from Client account(s), including IA fees. Client is responsible for verifying fee computations since Custodians are not typically asked to perform this task.

Advisory fees may be invoiced and billed directly to the client with payments due before the fifteenth of the month following the end of the quarter.

### ***Payment of Financial Planning Fees***

Hourly Financial Planning fees are paid via check in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

## **C. Clients Are Responsible For Third Party Fees**

Krilogy's fees do not include the brokerage and transaction fees charged by the broker and/or custodian of the account. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Retirement plans must employ the services of a third party administrator and record keeper, and a custodian for the assets. They may also wish to hire a corporate trustee. Client will pay fees to each of these service providers, either directly or from the plan assets. Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.).

All fees paid to Krilogy Financial for investment advisory services are separate and distinct from the internal expenses charged by Mutual Funds and ETFs, which are disclosed in a fund's prospectus. Such charges and fees are exclusive of and in addition to Krilogy Financial's fee, and Krilogy Financial shall not receive any portion of these commissions, fees and costs.

Please see Item 12 of this brochure which describes the factors Krilogy Financial considers in selecting or recommending broker/custodian for client transactions and determining the reasonableness of their compensations (e.g., commissions).

## **D. Prepayment of Fees**

Krilogy Financial collects fees in advance and in arrears. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Requested refunded fees will be returned within fourteen days to the client via check.

## **E. Outside Compensation For the Sale of Securities to Clients**

Some representatives of Krilogy Financial are also registered representatives of Purshe Kaplan Sterling Investments and accept compensation for the sale of securities to Krilogy Financial clients.

### ***1. This is a Conflict of Interest***

Krilogy Financial and its supervised persons will accept compensation for the sale of securities or other investment products, including asset based sales charges or services fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person and Krilogy Financial an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which Krilogy Financial receives compensation, Krilogy Financial will document the conflict of interest in the client file and inform the client of the conflict of interest.

### ***2. Clients Have the Option to Purchase Recommended Products From Other Brokers***

Clients always have the option to purchase Krilogy Financial recommended products through other brokers or agents that are not affiliated with Krilogy Financial.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

Krilogy Financial does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

Krilogy Financial provides portfolio management services, investment advice and/or management supervisory services to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Trusts
- ❖ Pension and Profit Sharing Plans
- ❖ Corporations or Business Entities

### ***Minimum Account Size***

There is an account minimum, \$250,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation. Other exceptions will apply to Krilogy representatives, employees and their relatives.

## **Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss**

### **A. Methods of Analysis and Investment Strategies**

#### ***Methods of Analysis***

Krilogy Financial's primary method of analysis is fundamental analysis.

Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

In analyzing mutual funds and exchange-traded funds (ETF's), Krilogy may use various sources of information, including data provided by Morningstar, Inc., the fund company's website, and other online and subscription resources as needed. There can be no assurance that any such strategy or analysis will prove profitable or successful.

#### ***Investment Strategies***

Krilogy Financial generally uses diversification in an effort to optimize the risk and potential return of a portfolio. More specifically, Krilogy may utilize multiple asset classes, investment styles, market capitalizations, sectors, and regions to provide diversification. We determine the securities that comprise each client's account in accordance with the client's general financial situation, investment objectives, liquidity needs, time horizon, return objective, and risk tolerance.

Krilogy Financial's general investment strategy is to seek a total return proportionate with the level of risk the client decides to take. We assist each client in developing an Investment Policy Statement, which typically outlines the client's general financial situation, investment objectives, liquidity needs, time horizon, return objective, and risk tolerance, as well as any special considerations and/or restrictions the client chooses to place on the management of the client accounts. We will then make model investment strategy recommendations that are consistent with the client's Investment Policy Statement.

Client accounts with a similar investment objectives and asset allocation goals may own the same or different securities. Tax factors also influence Krilogy's investment decisions. Clients who buy or sell securities on the same day may receive different prices based on the timing of the transactions during open market hours.

Each client will maintain a target asset allocation. Generally, we review client accounts weekly to evaluate the extent to which the actual allocation matches the target allocation. When we consider the variance excessive, based on an upper-and lower-limit band that is subject to change at the discretion of Krilogy Financial, we will take appropriate actions (by buying or selling securities) to bring the actual allocation within acceptable range of the target allocation. We refer to this process as "rebalancing." The process of rebalancing offers a systematic process to buy or sell securities when investment categories (asset classes) vary from its target allocation.

Krilogy offers several different portfolio model investment strategies (“asset allocation”) types for managing client accounts. Based on the client’s personal situation, as described in the client’s Investment Policy Statement, we will recommend managing the client’s accounts in accordance with one or multiple asset allocation types.

## **B. Material Risks Involved**

### ***Risk of Loss Considerations***

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

Prior to entering into an Investment Management Agreement with Krilogy Financial, each client should carefully consider:

- That investing in securities involves risk of loss, which clients should be prepared to bear;
- That securities markets experience varying degrees of volatility;
- That over time, the client’s assets may fluctuate and at any time be worth more or less than the amount invested –and–
- That client’s should only commit assets that are long-term in nature.

There can be no guarantee that an asset allocation strategy will meet its investment objectives or that it will not suffer losses.

## **C. Risks of Specific Securities Utilized**

Krilogy Financial primarily utilizes individual equities, bonds, mutual funds and ETFs for client accounts. The values of these securities will fluctuate due to various market conditions and other factors including but not limited to liquidity, currency, economic and political risks. Market movements and conditions, particular recommendations and other factors may result in significant differences between the account performance and any goals set forth in the Investment Policy Statement or otherwise made known to Krilogy Financial.

Krilogy Financial generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize options writing on occasion. Options writing generally hold greater risk of capital loss and clients should be aware that there is a chance of material risk of loss using any of those strategies.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of this advisory business or the integrity of our management.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Representatives of Krilogy Financial may also be registered representatives for Purshe Kaplan Sterling Investments. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. Krilogy Financial always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of Krilogy Financial in their capacity as a registered representative.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Krilogy Financial nor its representatives are registered as a FCM, CPO, or CTA.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

All Representatives of Krilogy Financial are also licensed insurance agents in the state of Missouri. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. Krilogy Financial always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of Krilogy Financial in their capacity as an insurance agent.

### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

Krilogy Financial will evaluate the current investments and financial situation of each client with respect to their risk tolerance levels and time horizon. Krilogy Financial may select other third party advisors or managers in the building of client portfolios. Krilogy Financial will be compensated via a fee share from a third party manager to which it directs clients. This relationship will be disclosed in each contract between Krilogy Financial and the third party money manager. The fees share will not exceed any limit imposed by any regulatory agency.

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

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

Krilogy Financial does not recommend that clients buy or sell any security in which a related person to Krilogy Financial has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Krilogy Financial may buy or sell securities for themselves that they also recommend to clients. Krilogy Financial will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of Krilogy Financial may buy or sell securities for themselves at or around the same time as clients. Krilogy Financial will trade client's non-mutual funds and non-ETF securities before they trade their own. Krilogy Financial will always act in the best interest of the client.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Krilogy Financial does not maintain custody of your assets that we manage or on which we advise, although we may be deemed to have custody of your assets if you give Krilogy Financial the authority to withdraw assets from your account (*See Item 15: Custody, below*). Your assets must be maintained in an account at a 'qualified custodian,' generally a broker-dealer or bank. Krilogy Financial does not have any affiliation with product sales firms. Specific custodian recommendations are made by Krilogy to its clients based on their need for such services. Krilogy recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable transaction rates. A retirement plan may choose from a number of

custodians that specialize in serving retirement plans. Krilogy will assist in that decision by reviewing providers for cost of services and efficiency.

To that end, Krilogy may recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker/dealer, member SIPC, as the qualified custodian. Krilogy Financial is independently owned and operated and not affiliated with Schwab. Should you choose Schwab as your account(s) custodian, Schwab will hold your assets in a brokerage account and buy and sell securities when either Krilogy Financial or you instruct them to. While Krilogy Financial recommends that you use Schwab as custodian/broker, you will decide whether to do so and will open your account(s) with Schwab by entering into an account agreement directly with them. Krilogy Financial does not open the account for you, although we may assist you in doing so.

#### ***How Krilogy Financial Selects Brokers/Custodians***

Krilogy Financial seeks to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Capability to execute, clear, and settle trades (buy and sell securities for your account(s))
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded fund (ETFs), alternative investments, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of service
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Availability of other products and services that may benefit Krilogy Financial, as discussed below (*See 'Products and Services Available to Krilogy Financial from Schwab'*)
- Reputation, financial strength, and stability

#### ***Your Brokerage and Custody Costs***

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commission and fees on trades, Schwab charges a flat dollar amount as a 'prime broker' or 'trade away' fee for each trade that is executed by a different broker/dealer but where the securities bought or the funds from the securities are sold are deposited (settled) into your Schwab account. These fees are in addition to the commission or other compensation you pay the executing broker/dealer. Because of this, in order to minimize your trading costs, Krilogy Financial has Schwab execute most trades for your account(s). Krilogy Financial has determined that having Schwab execute most trades is consistent with our duty to seek 'best execution' of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (*See 'How Krilogy Financial Selects Brokers/Custodians'*). Krilogy Financial will



never charge a premium or commission on transactions, beyond the actual cost imposed by the broker/custodian.

## **1. Research and Other Soft-Dollar Benefits**

### ***Products and Services Available to Krilogy Financial from Schwab***

Schwab Advisor Services (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like Krilogy Financial. They provide Krilogy Financial and our clients with access to its institutional brokerage – trading, custody, reporting, and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of these services help Krilogy Financial manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (Krilogy Financial does not have to request them) and at no charge to Krilogy Financial as long as our clients collectively maintain a total of at least \$10 million of their assets in account at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge Krilogy Financial quarterly service fees. Following is a more detailed description of Schwab's support services:

**Services That Benefit You.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.** Schwab also makes available to Krilogy Financial other products and services that benefit Krilogy Financial but may not directly benefit you or your account. These products and services assist Krilogy Financial in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of Krilogy Financial fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

**Services That Generally Benefit Only Krilogy Financial.** Schwab also offers other services intended to help Krilogy Financial manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession



- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Krilogy Financial. Schwab may also discount or waive fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Krilogy Financial with other benefits, such as occasional business entertainment of our personnel, such as a business lunch or gathering.

### **Krilogy Financial Interest in Schwab Services**

The availability of these services from Schwab benefits Krilogy Financial because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon Krilogy Financial committing a specific amount of business to Schwab in trading commission or assets in custody. The \$10 million minimum may give Krilogy Financial an incentive to recommend that you maintain your account with Schwab, based on Krilogy Financial interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. Krilogy Financial believes, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (*See 'How Krilogy Financial Selects Brokers/Custodians'*) and not Schwab's services that benefit only Krilogy Financial. As of January 18, 2011 Krilogy Financial has \$46,200,000 in client assets under management, and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

## **2. *Brokerage for Client Referrals***

Krilogy Financial receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

## **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

Krilogy Financial allows clients to direct brokerage. Krilogy Financial may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage Krilogy Financial may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

Krilogy Financial maintains the ability to block trade purchases across accounts but will rarely do so. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly by Kent S. Skornia and/or Marci L. Ulaszek. The chief advisors are instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at Krilogy Financial are assigned to these reviewers.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Kent S. Skornia and/or Marci L. Ulaszek. There is only one level of review and that is the total review conducted to create the financial plan.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly a written report detailing the client's account.

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

## **Item 14: Client Referrals and Other Compensation**

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

Krilogy Financial receives an economic benefit from Schwab in the form of the support and products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to Krilogy Financial of Schwab's products and services is not based on Krilogy Financial giving particular investment advice, such as buying particular securities for our clients.

### **B. Compensation to Non -Advisory Personnel for Client Referrals**

Krilogy Financial does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

Under government regulations, Krilogy Financial is deemed to have custody of client assets if, for example, the client authorizes Krilogy Financial to instruct Schwab or other authorized custodian to deduct our advisory fees directly from the client's account. Actual custody of clients' accounts is maintained by the Schwab, or other authorized custodian on the account. Clients will receive account statements directly from the Custodian at least quarterly. These statements will be sent to the e-mail or postal mailing address you provided on the account application with the Custodian. You should carefully review those statements promptly when you receive them. Krilogy Financial urges clients to compare the account statements they receive from the custodian with those they received from Krilogy Financial.

## **Item 16: Investment Discretion**

Krilogy Financial has both discretionary and non-discretionary relationships with clients, which is detailed in the Investment Management Agreement signed by the client and Krilogy. In those cases where Krilogy investment discretions, Krilogy has full discretion to decide the specific securities to trade, the quantity of such securities, and the timing of securities transactions for client accounts. Krilogy will not contact clients before placing trades in their accounts when they are discretionary, but clients will receive confirmations directly from the broker-dealer and/or qualified custodian for any trades placed. Clients grant us discretionary authority in the Investment Management Agreement they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

## **Item 17: Voting Client Securities (Proxy Voting)**

Krilogy Financial will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Krilogy Financial does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Krilogy Financial nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

Krilogy Financial has not been the subject of a bankruptcy petition in the last ten years.

## Item 19: Privacy Policy

### **KRILOGY FINANCIAL: PRIVACY POLICY**

Effective Date: January 1, 2011

To Krilogy Financial, protecting your privacy is extremely important. We value your trust and want you to be aware of what information we collect, how we protect that information, and also how we use it. Following is the policy to which all Krilogy Financial LLC employees adhere for the collection and use of your non-public personal information.

#### **INFORMATION THAT MAY BE COLLECTED**

Krilogy Financial may collect personally identifiable information, much of which is provided voluntarily from you on applications, forms and transactions with us and those with outside companies, in order to provide you with products and/or services you have either requested or we deem appropriate. If you would like to change, correct, or update personally identifiable information you submit to us, please contact us as provided below, and we will make any necessary revisions.

Information We May Collect Include:

- Personal information from applications and forms containing contact information (name, postal address, telephone number, social security number, e-mail address, investment objectives, income assets, employment information, and accounts with others)
- Information regarding you brokerage and/or investment advisory transaction history with us, our service providers, such as clearing firms, mutual fund companies, insurance companies, or other companies that provide you with financial products or services including current and former registered representatives, broker/dealers and their affiliated businesses.
- Information under the USA Patriot Act enacted by the US Treasury Department and Congress to combat terrorism.

Visitors to Krilogy's web site remain anonymous as we do not collect identifying information about visitors to our site. We may use software to collect non-identifying information about our visitors such as date and time the site was accessed, IP address, and web browser used. This information may be used to determine the level of interest in specific areas of our site.

#### **INFORMATION WE MAY DISCLOSE**

Krilogy Financial LLC may disclose the personal information we collect, as described above, to our staff, affiliates, representatives, their affiliated businesses, insurance companies, brokers, banks, broker/dealers and investment advisers that provide services to you on our behalf. We will only disclose person information for the following types of situations:

- Companies that provide clerical, customer assistance, clearing, operational or other services
- Firms that maintain software for us and/or a financial institution (such as banks, investment advisers, or securities firms) with which we have arrangements and jointly offer financial services and/or products.
- Third party money managers with whom Krilogy has relationships for the management of our customer accounts

- State, Federal and other regulatory and self-regulatory authorities as required by law or regulation, including law enforcement agencies or insurance and securities regulatory agencies

We will not disclose your personal information to businesses not affiliated with us that would use information to contact you about their products and services except as stated above. Krilogy will not sell your personal and confidential information to unaffiliated third parties.

#### **SECURING YOUR INFORMATION**

Krilogy's staff and representatives are required to adhere to our internal policies and procedures to keep your information secure, confidential and prevent unlawful use of your personal information. We utilize industry standard devices, software and practices designed to protect your information.

If you decide to close your account(s) or become an inactive customer, we will adhere to the privacy policies and practices as described in this notice.

Krilogy Financial LLC restricts access to your personal and account information to those employees who need to know that information to provide products or services to you. Krilogy Financial LLC maintains physical, electronic, and procedural safeguards to guard your nonpublic personal information.

#### **REVISING THIS PRIVACY POLICY**

Krilogy Financial LLC periodically reviews our Privacy Policy and procedures and we reserve the right to revise this Privacy Policy at any time. Should we change, update or revise this policy, the "effective date" at the top of this Privacy Policy will also be updated. You are responsible for regularly reviewing the current Privacy Policy. The most current version of this Policy can be reviewed by clicking on the "Privacy Policy" link located at the bottom of our web pages, or you may contact us as indicated below.

#### **INSTRUCTIONS ON HOW TO NOTIFY US**

Should you have any questions regarding this policy, please contact your Rep/ Advisor directly or call Krilogy Financial main office at 314.884.2800 or you may contact us at:

Krilogy Financial LLC  
600 Emerson Rd  
Suite 110  
Saint Louis MO 63141