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FORM ADV

Uniform Application for Investment Adviser Registration

Part II – Page 1

Name of Investment Adviser: Riley Investment Management LLC					
Address:	(Number and Street)	(City)	(State)	(Zip Code)	Area Code: Telephone Number:
11100 Santa Monica Blvd. Suite 800		Los Angeles	CA	90025	310 966-1445

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.
The information has not been approved or verified by any governmental authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

**Potential persons who are to respond to the collection of information contained in this form
are not required to respond unless the form displays a currently valid OMB control number.**

Applicant:
Riley Investment Management LLC

SEC File Number:
801- 63083

Date:
June 8, 2009

- 1. A. Advisory Services and Fees.** (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

- ☒ (1) Provides investment supervisory services 100 %
- ☐ (2) Manages investment advisory accounts not involving investment supervisory services %
- ☐ (3) Furnishes investment advice through consultations not included in either service described above .. %
- ☐ (4) Issues periodicals about securities by subscription %
- ☐ (5) Issues special reports about securities not included in any service described above %
- ☐ (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities %
- ☐ (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities ... %
- ☐ (8) Provides a timing service %
- ☐ (9) Furnishes advice about securities in any manner not described above %

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

- B.** Does applicant call any of the services it checked above financial planning or some similar term? Yes No
☐ ☒

C. Applicant offers investment advisory services for: (check all that apply)

- | | |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges | <input type="checkbox"/> (5) Commissions |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees) | <input checked="" type="checkbox"/> (6) Other |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of clients — Applicant generally provides investment advice to: (check those that apply)

- | | |
|--|--|
| <input checked="" type="checkbox"/> A. Individuals | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations |
| <input type="checkbox"/> B. Banks or thrift institutions | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies | <input checked="" type="checkbox"/> G. Other (describe on Schedule F) |
| <input type="checkbox"/> D. Pension and profit sharing plans | |

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

3. Types of Investments. Applicant offers advice on the following: (check those that apply)

- | | |
|---|---|
| <input type="checkbox"/> A. Equity securities | <input type="checkbox"/> H. United States government securities |
| <input checked="" type="checkbox"/> (1) exchange-listed securities | |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter | <input type="checkbox"/> I. Options contracts on: |
| <input checked="" type="checkbox"/> (3) foreign issuers | <input checked="" type="checkbox"/> (1) securities |
| | <input type="checkbox"/> (2) commodities |
| <input checked="" type="checkbox"/> B. Warrants | |
| | <input type="checkbox"/> J. Futures contracts on: |
| <input checked="" type="checkbox"/> C. Corporate debt securities
(other than commercial paper) | <input type="checkbox"/> (1) tangibles |
| | <input type="checkbox"/> (2) intangibles |
| <input checked="" type="checkbox"/> D. Commercial paper | <input type="checkbox"/> K. Interests in partnerships investing in: |
| <input checked="" type="checkbox"/> E. Certificates of deposit | <input type="checkbox"/> (1) real estate |
| <input type="checkbox"/> F. Municipal securities | <input type="checkbox"/> (2) oil and gas interests |
| | <input checked="" type="checkbox"/> (3) other (explain on Schedule F) |
| <input type="checkbox"/> G. Investment company securities: | <input checked="" type="checkbox"/> L. Other (explain on Schedule F) |
| <input type="checkbox"/> (1) variable life insurance | |
| <input type="checkbox"/> (2) variable annuities | |
| <input type="checkbox"/> (3) mutual fund shares | |

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- | | |
|---|---|
| (1) <input type="checkbox"/> Charting | (4) <input type="checkbox"/> Cyclical |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input checked="" type="checkbox"/> Other (explain on Schedule F) |
| (3) <input type="checkbox"/> Technical | |

B. The main sources of information applicant uses include: (check those that apply)

- | | |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines | (5) <input type="checkbox"/> Timing services |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases |
| (4) <input checked="" type="checkbox"/> Corporate rating services | (8) <input checked="" type="checkbox"/> Other (explain on Schedule F) |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- | | |
|--|---|
| (1) <input checked="" type="checkbox"/> Long term purchases
(securities held at least a year) | (5) <input checked="" type="checkbox"/> Margin transactions |
| (2) <input checked="" type="checkbox"/> Short term purchases
(securities sold within a year) | (6) <input checked="" type="checkbox"/> Option writing, including covered options, uncovered options, or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days) | (7) <input type="checkbox"/> Other (explain on Schedule F) |
| (4) <input checked="" type="checkbox"/> Short sales | |

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5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? ☒ Yes ☐ No

(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- formal education after high school
- year of birth
- business background for the preceding five years

7. Other Business Activities. (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☐ B. Applicant sells products or services other than investment advice to clients.
- ☒ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
 - ☒ (1) broker-dealer
 - ☐ (2) investment company
 - ☒ (3) other investment adviser
 - ☐ (4) financial planning firm
 - ☐ (5) commodity pool operator, commodity trading adviser or futures commission merchant
 - ☐ (6) banking or thrift institution
 - ☐ (7) accounting firm
 - ☐ (8) law firm
 - ☐ (9) insurance company or agency
 - ☐ (10) pension consultant
 - ☐ (11) real estate broker or dealer
 - ☐ (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? ☒ Yes ☐ No

(If yes, describe on Schedule F the partnerships and what they invest in.)

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9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- ☒ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☒ B. As broker or agent effects securities transactions for compensation for any client.
- ☒ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☒ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? ☒ Yes ☐ No

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

See Schedule F

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

See Schedule F

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12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- | | | |
|--|-------------------------------------|--------------------------|
| | Yes | No |
| (1) securities to be bought or sold? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (3) broker or dealer to be used? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (4) commission rates paid? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients? ☒ Yes ☐ No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ☒ Yes ☐ No
- B. directly or indirectly compensates any person for client referrals? ☒ Yes ☐ No

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? ☒ Yes ☐ No

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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Form ADV:

Riley Investment Management LLC

IRS Empl. Ident. No.:

95-4799549

Item of Form (identify)	Answer
Privacy Policy	<p>It is the policy of Riley Investment Management LLC ("RIM") not to disclose our clients' nonpublic personal information except to our affiliates servicing your account, to non-affiliated third party service providers as allowable by law, or in response to inquiries from regulators or government authorities. Information is shared with our affiliates and vendors servicing your account only in the ordinary course of business. In all other cases where information is shared, express written consent must be acquired from the client. Any party that receives this information will use it only for the services required and as allowable under law, and is not permitted to share this information for any other purpose.</p> <p>In the normal course of business, information pertaining to your account may be shared with non-affiliated third parties that perform various services for us such clearing firms, custodians, fund administrators, auditors and attorneys, and other non-affiliated third parties as required or permitted by law, such as regulatory bodies. Non-public information that RIM receives from you on your subscription agreements and/or other forms, includes, but is not limited to, your name, address, telephone number, occupation, social security number or tax identification number, and information pertaining to your financial status (i.e. net worth, annual income, etc). Additionally, a copy of the client's tax Form K-1 is included in a private investment fund's tax return filed with the Internal Revenue Service.</p> <p>Access to client information within RIM will be limited to those employees and service providers who are involved in offering or administering the products and services that we offer. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic information.</p> <p>RIM will adhere to these policies for both current and former clients and will notify customers of our policy at the time the relationship is established and annually thereafter. In the event that it becomes necessary to disclose any nonpublic information in a means inconsistent with this policy we will provide you with advance notice so that you will have the opportunity to opt out of such disclosure should you choose.</p>
Item 1.C(6)	<p>Other Compensation</p> <p>RIM may enter into performance fee arrangements with private investment funds, which provide for compensation to RIM on the basis of a share of the capital gains upon, or the capital appreciation of, the assets or any portion of the assets of a private investment fund, provided that all the conditions in Rule 205-3 under the Investment Advisers Act of 1940 are satisfied and state law does not prohibit such arrangements.</p>

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**Items 1.D, 4.A.
and 8.D**

INVESTMENT ADVISORY SERVICES AND FEES

RIM engages in providing investment advice through two advisory programs: (1) the Fund Management Program, in which RIM manages the assets of certain pooled investment vehicles generally referred to as hedge funds, and (2) the Separate Account Program, in which RIM manages the assets of certain individual clients.

Investment Strategy. RIM's investment objective is to achieve long-term capital appreciation for its clients of its investment advisory programs. The funds and client accounts (referred to as "clients") are invested primarily in publicly-traded equity securities of companies with small market capitalizations (below the average market capitalization of companies which comprise the S&P 500), but also invested in certain securities of private companies and other similar types of transactions. Moreover, investments include going-private transactions and other transactions where a control position is taken. RIM employs a variety of investment strategies on behalf of its clients, such as engaging in "activism", in short sales; leveraging the portfolio by purchasing securities on margin; entering into equity and debt swap contracts; lending portfolio securities to other broker-dealers and financial institutions; and purchasing and selling put and call options, convertible securities and warrants, debt securities, investment company (e.g., mutual fund and hedge fund) shares and cash equivalent investments such as money market funds and U.S. government securities.

RIM employs an investment strategy based on fundamental (bottom-up) analytical research and individual stock selection involving both long and short positions. Holdings are maintained with the objective of taking profits when stocks become fully valued.

There can be no assurance that the investment objective will be achieved. An investment in the funds and managed accounts is subject to significant risks and conflicts of interest. RIM's strategy compounds the risks inherent in investing securities. Clients and investors in the Fund must understand be able to bear the risks that this strategy entails. They may lose some or all of their investment and must be able to bear sharp fluctuations in the value of their investments over time, especially in the short-term. Accordingly, clients and investors should invest only a small portion of their assets with RIM and should invest with a long-term time horizon, especially in the case of investing in the Fund because investments are generally subject to a two year lock-up. RIM is not providing any tax advice, so clients should seek separate tax advice.

Fund Management Program

RIM has organized and serves as general partner and discretionary investment adviser to Riley Investment Partners, L.P (the "Fund"). RIM may decide in the future to sponsor or manage additional private investment funds. RIM intends to restrict the number of investors and will offer the interests in the Fund only through non-public transactions in order to maintain the Funds' exclusion from "investment company" status under the Investment Company Act of 1940, as amended.

Subscriptions for Fund interests will generally be accepted only from accredited investors and investors who are eligible to enter into a performance fee arrangement under the Investment Advisers Act. In addition, investors will be required to make representations concerning their sophistication as investors and ability to bear risk of loss of their entire investment. RIM may waive all or part of any admission standard within its sole discretion. The minimum subscription that will generally be accepted is \$1,000,000. RIM may, in its sole discretion, waive the minimum subscription requirement for any investor. Qualified prospective investors should carefully read the applicable Fund's offering memorandum (the "Memorandum") and charter documents. In addition, prospective investors should consult with their own counsel and advisers as to all matters concerning an investment in the Fund.

Fees. RIM will receive an annual management fee of 2.0% per year of the capital account of each Fund investor ("Limited Partner"). The Management Fee will be paid quarterly in arrears. RIM, in its discretion, may waive the management fee in whole or in part with respect to any Limited Partner and otherwise may

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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**Items 1.D, 4.A.
and 8.D
(continued)**

vary the management fee charged to a particular Limited Partner by agreement.

In addition, RIM will receive a quarterly incentive allocation equal to 20% of the Fund's net profits (as defined in the Partnership Agreement) allocated to each Limited Partner. The incentive allocation and fee are subject to a "high water mark" procedure. Generally, under the high water mark procedure, RIM will receive an incentive allocation with respect to a Limited Partner only to the extent cumulative net profits allocated to the Limited Partner exceed Fund net losses previously allocated to that Limited Partner, as described in the Partnership Agreement. The incentive allocation and fee arrangements are designed to meet all requirements of Rule 205-3 under the Investment Advisers Act of 1940, in its discretion, may waive or vary the incentive allocation or fees in whole or in part with respect to any investor and will waive the incentive allocation with respect to any investor who does not meet the requirements of said Rule 205-3.

Custody of the assets of the Fund will be maintained with a clearing broker or brokers to be selected by RIM in its exclusive discretion, which selection may change from time to time. RIM will not maintain physical possession of the funds or securities of any private investment fund other than in rare instance such as physically certificated securities.

Termination; Withdrawals. Investors in the Fund, or other investors in private investment funds, may be limited in their ability to terminate their participation in the pooled investment vehicle. Such limits are set out in the Memorandum or other private investment fund offering documents, which should be read carefully. An investor may withdraw capital effective as of the last day of a calendar quarter by giving 60 days' advance written notice, subject to a one-year lock up period for investments made prior to January 1, 2007 and subject to a 5% redemption fee for withdrawals made prior to a two-year lock period for investments made on or after January 1, 2007. The lock-up period and redemption fees may be waived by RIM. Upon a withdrawal of capital, the incentive allocation or fee, if any, will be computed and made as of the effective date of the withdrawal with respect to the amount withdrawn. The right of any investor to withdraw capital from the Fund is subject to RIM's authority, as general partner, to delay or suspend withdrawals under certain circumstances specified in the constituent documents of the Fund. An investor may not withdraw from the Fund any portion of its capital attributable to certain illiquid securities until they are sold, distributed in kind or reclassified as liquid by RIM. In addition, RIM or the Fund, in their discretion, may, at any time and without prior notice, require any investor to withdraw all or part of its interest in the Fund. Upon withdrawal or termination, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

Fee Comparison. The expenses of the Fund, including RIM's incentive and management fees, may constitute a higher percentage of average net assets than would be found in other investment vehicles. The incentive allocation may also create an incentive for RIM to cause the Fund to make investments that are riskier than it would otherwise make. In addition, since RIM's incentive allocation is calculated on a basis which includes unrealized appreciation of the Fund's assets, it may be greater than if such allocation were based solely on realized gains.

Separate Account Program

General. RIM provides discretionary investment advice and management to separately managed accounts. RIM holds a limited power of attorney to act on a discretionary basis with client funds. RIM will not maintain possession or custody of the funds or securities of any client. The client funds will typically be deposited in either a brokerage firm or bank custodian account. With client consent, RIM may cause fees to be paid out of separately managed accounts by the client's custodian. When it does so, RIM will send the client an invoice showing the amount of the fees, the value of the assets on which they are based, and the computation concurrently with billing the custodian.

Generally, and except to the extent that a client otherwise instructs RIM in writing, RIM will vote (by proxy or otherwise) in all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held in the client's account in such manner as RIM deems appropriate.

Fees. Portfolio compensation will be determined based on each client's needs and any applicable portfolio restrictions. A client's needs will be determined through an interview which will be conducted either in

<p>Items 1.D, 4.A. and 8.D (continued)</p>	<p>person or over the telephone. All fees and account minimums will be negotiable. However, a minimum of \$5,000,000 of assets under management will typically be required for services.</p> <p>Compensation provided to RIM is negotiable and varies, but may consist of the following components. First, RIM may charge an annual fee of 2.0% of assets under management, which amount is payable in advance in quarterly installments at the beginning or end (depending on the provisions of each client's account agreement) of each calendar quarter based on the net market value of the client's account on the date the fee accrues and becomes payable. A prorated fee is also charged for any client contributions from the date of the contribution through the quarter end. Second, RIM may charge a percentage of net profits of the account (including both realized and unrealized gains and losses).</p> <p>Fees based on performance will meet all requirements for such allocations as specified under Rule 205-3 under the Investment Advisers Act of 1940, as applicable.</p> <p><i>Termination.</i> Unless otherwise provided for in the agreement, an agreement for a separately managed account may be cancelled at any time, by either party, for any reason, customarily upon receipt of 60 days written notice. The advance notice requirement for termination varies by agreement. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.</p> <p><i>Fee Comparison.</i> Lower fees for comparable services may be available from other sources.</p>
<p>Item 2.G</p>	<p>Types of Clients</p> <p>RIM provides investment management services to individual clients through its Separate Account Program, as well as its Fund Management Program, including the Fund. In the future, RIM may organize and serve as managing member, general partner, and/or investment adviser to additional private investment funds. In addition, RIM may provide services to other private investment funds, for which RIM does not serve as manager or general partner.</p>
<p>Item 3.K(3)</p>	<p>Types of Investments</p> <p>RIM may recommend investing in the private investment funds for which it serves as general partner.</p>
<p>Item 4.B(8)</p>	<p>Methods of Analysis, Sources of Information, and Investment Strategies</p> <p>In addition to the sources listed, RIM uses publicly available documents issued or obtained directly from an issuer, computerized on-line data regarding stock prices, trading volume, and other related topics, and various databases, periodical publications, and charting services.</p>
<p>Item 5</p>	<p>Education and Business Standards</p> <p>RIM requires all persons providing investment advisory or management services to clients to have undergraduate or graduate degrees and to have passed FINRA Series 63 and Series 7 examinations or have other appropriate experience in the securities industry. Additionally all investment advisor representatives and associated persons will meet the examination and experience requirements of the state(s) in which they provide investment advisory services.</p>

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<p>Item 6</p>	<p>Education and Business Background</p> <p><u>BRYANT RILEY</u> Bryant Riley was born in 1967. He received a Bachelor of Science degree in Finance from Lehigh University in 1989. He has been the sole managing member of RIM since March 15, 2000. From February, 1997 to present, Mr. Riley also has been Chairman of B. Riley & Co., LLC, a registered broker-dealer. From February 1994 to February, 1995 and from February 1996 to February 1997, Mr. Riley was a registered representative with Dabney Resnick, a registered broker-dealer and from February, 1995 to February, 1996 Mr. Riley was a registered representative with Gaines Berland, a registered broker-dealer. From February, 1991 to February, 1994, he was a founding partner of Huberman & Riley, Inc., a registered broker-dealer. Mr. Riley currently sits on the board of directors of four publicly traded companies – Aldila Inc., Alliance Semiconductor Corp., DDi Corp., LCC International, Silicon Storage Technologies, and Trans World Entertainment and has previously sat on the board of directors of public companies such as Carreker Corporation, Integrated Silicon Solution, Inc., Celeritek, Inc., Kitty Hawk Inc., Mossimo Inc., SI Technologies, Inc., and Transmeta Corp. In addition, Mr. Riley is on the Board of Directors of Country Coach, a private company in which the Fund has an investment.</p> <p>Part I of the Form ADV discloses certain regulatory actions against B. Riley & Co., LLC and Mr. Riley as a securities principal of B. Riley & Co., LLC.</p> <p><u>JOHN AHN</u> Mr. Ahn was born in 1964. He attended Williams College and earned his Bachelor of Arts degree in Economics in 1987. From 1987 to 1990, Mr. Ahn worked at Security Pacific Bank in Los Angeles as a trader in the Loan Syndications area. He was responsible for a \$450 million loan portfolio of investment grade and high yield bank loans. From 1990 to 1995, he specialized in trading distressed bonds and bank loans at several boutique broker-dealer firms, Butler & Associates in Los Angeles, Rivkin & Company in New York, and Dabney Resnick in Beverly Hills. From 1995 to 2003, Mr. Ahn was a Partner at Standard Capital Group in Los Angeles, an investment-banking firm that specialized in capital raising for middle market companies. From 2003-2004, he was a Managing Director at Maxcor Financial Group in their high yield and distressed bond group. In March 2004, Mr. Ahn joined BRC as a registered representative and also managed ISA Capital LP, a hedge fund for friends and family. During this time, he worked closely with Mr. Riley on investments. ISA Capital was closed in late 2005 when Mr. Ahn joined RIM. Mr. Ahn currently sits on the board of directors of Regent Communications Inc (publicly traded).</p>
<p>Items 7, 8.C(1,3) and 8.D</p>	<p>Other Business Activities, Financial Industry Activities or Affiliations</p> <p>Bryant Riley is Chairman and a registered representative of B. Riley & Co., LLC (“BRC”), a FINRA member broker-dealer and state registered (CA, ID, and NY) investment advisor. Currently less than 50% of his time is spent in such activities. BRC will provide brokerage services for clients of RIM, as described under item 9 below.</p> <p>John Ahn is a registered representative of BRC. Currently less than 50% of his time is spent in such activities.</p> <p>Mr. Riley and Mr. Ahn are compensated for serving as directors by the public companies on whose board they serve. Mr. Riley is also affiliated with some of the managed accounts or clients of RIM.</p> <p>RIM is the general partner of the Riley Investment Partners, LP Fund, and may in the future be the general partner of other investment partnerships. When appropriate, RIM may recommend investments in the Fund or such other partnerships to advisory clients.</p>

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**Items 9.A, 9.B,
9.C, 9.D and 9.E**

Participation or Interest in Client Transactions

Brokerage. Mr. Riley is the Chairman and a registered representative of BRC. Except in rare circumstances, BRC will not execute principal trades for the Fund or its other clients (collectively, referred to as “clients”) but it may effect agency or agency cross transactions (*i.e.*, transactions in which BRC acts as broker for the parties on both sides of the transaction) for the account of the client. BRC may receive compensation from parties on both sides of such transactions (the amount of which may vary) and, therefore, will have a potentially conflicting division of loyalties and responsibilities.

A client in the separate account program or an investment partnership such as the Fund may designate BRC as introducing broker for all account trading. In those cases where the client does not designate a specified broker for trading, RIM allocates client transactions to broker-dealers, including BRC, for execution on such markets, at such prices, and at such commissions as RIM in good faith determines are, on balance, most advantageous to the client.

In choosing brokers and dealers, RIM will not be required to consider any particular criteria. For the most part, the RIM will seek to obtain the best combination of brokerage expenses and execution quality for transactions but, as discussed below, RIM is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. In evaluating execution quality, historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions will usually be a principal factor, but other factors will also be relevant, including the execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker’s or dealer’s willingness to commit capital; its reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; avoiding adverse market impact while building a position; the firm’s risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; confidentiality; and the market for the security. In particular, when trading in stocks with a small float, bare-bones brokers and electronic trading would not provide the necessary level of execution. RIM has no obligation to deal with any broker or dealer in executing transactions. RIM discloses this policy to its clients in advance, including the fact that RIM may use the services of BRC to effect a majority of transactions (which would result in BRC receiving commissions from clients).

Agency Cross Trades. With appropriate client authorization as required by applicable law, BRC may act as a broker in securities transactions involving RIM’s clients on one side and BRC’s brokerage clients on the other (an “agency cross transaction”). In this regard, RIM (1) intends to rely on Rule 206(3)-2 under the Advisers Act, (2) will ensure that the advisory client receives the benefit of the transaction, and (3) otherwise will comply with RIM’s legal and fiduciary responsibilities. BRC may receive compensation from parties on both sides of such transactions (the amount of which may vary) and, therefore, will have a potentially conflicting division of loyalties and responsibilities. Generally, the pricing of the agency cross transaction is negotiated between the advisory client on one side and the brokerage client on the other and is usually determined by the inside bid or offer.

Cross Trades. Additionally, RIM may effect cross-trades among its clients’ accounts (*i.e.*, causing one or more accounts to sell securities to one or more other accounts), including for purposes of adjusting or rebalancing client investment accounts. In effecting such cross-trades, RIM seeks to reduce the transaction costs to its clients for such trades. All such cross-trades will be consistent with the investment objectives and policies of each client involved in the trades, and will be effected at the current independent market price of the securities involved in the trades. Such cross-trades will generally be effected by BRC. The clients involved in such cross-trades will not pay any brokerage commissions or mark-ups in connection with the trades (to the broker-dealer or RIM), but will reimburse RIM or other applicable broker-dealer for any customary trading costs and/or transfer fees (*i.e.*, aggregate ticket charges) that are incurred and/or that are assessed by any other broker-dealers through which such broker-dealer effects the trades.

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**Items 9.A, 9.B,
9.C, 9.D and 9.E
(continued)**

Other Conflicts of Interest. RIM may recommend to clients that they buy or sell securities in which it or its related persons have some financial interest, including ownership, and RIM or its related persons may own, buy or sell for themselves the same securities that they may have recommended to clients. Some conflicts of interests are described below:

- Employees of RIM, including Mr. Riley and Mr. Ahn, may transact in securities that RIM has recommended to, or transacted on behalf of, clients. Mr. Riley is also affiliated with some of the managed accounts or clients of RIM.
- RIM or related persons may invest their own capital in securities in which clients may also have made investments. For example, BRC may make a market as a broker-dealer, and engage in proprietary trading, in the same securities held by clients. Additionally, BRC may trade on behalf of its clients or its retirement trust in the same securities held by clients.
- RIM or related persons may buy, sell or hold securities for itself or certain clients while entering into the opposite investment decision for one or more other clients.
- RIM may be restricted from trading in securities of clients because of the possession of material, non-public information or to avoid short-swing profits under Section 16 of the Exchange Act of 1934.
- Client accounts may be invested in securities of companies with which RIM or a related person has a material business relationship, for example PIPEs of a corporate finance client for which BRC is acting as a financial advisor. In addition, there is the potential that BRC may be hired by clients to assist with shareholder activism projects including proxy fights, and board nominations. To mitigate any conflict of interest, there are “Chinese Wall” policies and procedures that prevent information from being disseminated to parties outside of BRC as well as insider trading policies and procedures.
- Mr. Riley and Mr. Ahn hold positions outside of RIM (including serving as directors for companies in which clients invest), and will not be devoting all of their efforts to providing investment advisory services.

All of the foregoing is subject to Adviser’s code of ethics as well as applicable laws.

RIM from time to time may offer its clients opportunities to invest in private investment funds, including the Fund, with respect to which RIM or a related person is general partner and/or investment manager (as described above). Each such offeree will receive an offering document disclosing the relationship between RIM and the investment partnership.

RIM, as the general partner and/or investment manager of the Fund, has a beneficial interest in securities purchased by the Fund. The Fund may invest in securities RIM may recommend to or purchase for the account of other advisory clients. In addition, certain of RIM’s members, officers, and employees (collectively, “employees”) from time to time may invest in securities in which the Fund invests. RIM recognizes that personal investments of employees require that such transactions be carried out in a way that does not endanger client interests. At the same time, RIM believes that, if investment goals are similar for clients and RIM’s employees, it is logical and even desirable that there be ownership of some of the same securities.

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**Items 9.A, 9.B,
9.C, 9.D and 9.E
(continued)**

In order to address potential conflicts of interest, RIM has adopted and follows a code ethics and certain procedures and safeguards with respect to employee securities transactions. These procedures involve the following:

- (a) An employee or member of his or her immediate family (i.e., parents, brothers, sisters, children or spouse) is not permitted to benefit, directly or indirectly, from the employee's personal investments from his or her position with respect to RIM's clients or to take advantage of, or trade on such employee's knowledge of, the market impact of client transactions.
- (b) All employees who make investment decisions or recommendations are expected to comply with RIM's insider trading policies.
- (c) To ensure compliance with RIM's trading policies, all employees are required to report quarterly all purchases and sales of common stocks for any account in which they have a beneficial interest unless the reports would duplicate information RIM already holds. In addition, RIM receives and reviews copies of confirmations for all brokerage activities by its employees and their immediate families.

A copy of RIM's code of ethics will be provided to any client or prospective client upon request.

Item 10

Conditions for Managing Accounts

RIM generally requires a minimum of \$1,000,000 for investors in the Fund, and those investors generally must be accredited investors under Regulation D of the Securities Act of 1933 and qualified to participate in a performance fee arrangement under Rule 205-3 of the Investment Advisers Act in order to invest in the investment funds, which generally requires a net worth that exceeds \$1,500,000 or an investment of \$750,000 in the investment fund. RIM generally requires such investors to make representations concerning their sophistication as investors and their ability to bear the risk of loss of their entire investment under RIM's management. These minimums and requirements may be waived by RIM in its discretion.

**Items 11.A and
11.B**

Review of Accounts

Typically, the portfolio of the Fund, Separate Accounts, and other funds managed by RIM will be reviewed daily and no less than weekly by a portfolio manager. Mr. Riley is responsible for reviewing the portfolio of the Fund. Each portfolio manager is responsible for reviewing his own portfolio for other funds that will be managed by RIM.

Investors in the Fund receive reports on at least a monthly basis but no less than a quarterly basis. Clients under the Separate Account Program will receive reports (either from the account custodian or directly from RIM) on no less than a quarterly basis.

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Item 12

Investment or Brokerage Discretion and Additional Compensation

A client in the Separate Account Program or an investment partnership such as the Fund may direct RIM to conduct trades exclusively through a single broker-dealer, which may be BRC or another designated broker-dealer.

In those cases where the separate account client or the investment partnership does not direct RIM to conduct trades exclusively through one broker-dealer, subject to its obligation to obtain “best execution,” RIM will have discretionary authority to make the following determinations without obtaining the consent of the client before the transactions are effected:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the brokers through which securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are effected.

RIM’s authority may be subject to conditions imposed by the client, examples of which may include: 1) where the client restricts or prohibits transactions in securities of a specific industry, and/or 2) the client directs that transactions be effected through specific brokers and dealers. The latter restriction may be conditioned by the client on the broker or dealer being competitive as to price and execution for each transaction, or offering a specified level of commission discount or may be subject to varying degrees of restrictions such as an instruction to utilize the broker or dealer: a) whether or not competitive, and b) where the specified levels of commission discounts are less favorable than might otherwise be obtained by the firm. See disclosure regarding Items 9.A, 9.B, 9.C, 9.D and 9.E above.

Soft Dollars. In addition to execution quality, RIM may consider the value of various research services or products, beyond execution, that a broker-dealer provides to its clients. Selecting a broker dealer in recognition of such other services or products is known as paying for those services or products with “soft dollars.” Because many of those services could benefit RIM, it may have a conflict of interest in allocating its clients’ brokerage business. In other words, RIM could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction commission charged by that broker or dealer might not be the lowest commission RIM might otherwise be able to negotiate. In addition, RIM could also have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage commission with which to acquire products and services.

Under Section 28(e) of the Securities Exchange Act of 1934, as amended, RIM’s use of its clients’ commission dollars to acquire research products and brokerage services is not a breach of its fiduciary duty to its clients – even if the brokerage commissions paid are higher than the lowest available – as long as (among certain other requirements) RIM determines that the commissions are reasonable compensation for both the brokerage services and the research acquired. For these purposes, “research” means advice, analysis and reports used to provide lawful and appropriate assistance to RIM in making investment decisions for its clients. The types of research RIM may acquire include reports on or other information about particular companies or industries; economic data such as unemployment reports, inflation rates or gross domestic product figures; recommendations as to specific securities; financial publications relating to the subject matter set forth in Section 28(e) (i.e., the value, availability or advisability of investing in securities, and issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts); portfolio evaluation services and financial database software and services. The types of brokerage services RIM may use include execution clearing and settlement services; exchange of messages among brokers, custodians and institutions; and communication services related to the execution, clearing and settlement of securities transactions and other incidental services. The Section 28(e) “safe harbor” applies to the use of a client’s soft dollars even when the research acquired is used in making investment decisions for other clients of RIM. The safe harbor is not available for transactions effected on a principal basis, with a markup or markdown paid to the broker-dealer, other than certain riskless principal transactions.

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

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**Item 12
(continued)**

Subject to compliance with its agreements with the Fund or other clients, RIM also may use soft dollars under circumstances that do not satisfy the conditions of Section 28(e). Examples of such uses of soft dollars may include compensating the Fund’ “prime broker” for recordkeeping, custodial, and related services to the Fund (as described below). In addition, RIM may use “soft dollars” to pay for office equipment and supplies, office rent, accounting and legal fees, and other expenses of RIM’s investment management business. RIM also may compensate brokers or dealers for research or other services with transactions effected at a net price with markups or markdowns or acquire services in a manner that does not satisfy the current interpretations of the requirement under Section 28(e) that services be “provided” by a broker. Where a particular service or product provides benefits to the Fund, other clients, and/or RIM itself, RIM may allocate the cost among the various the recipients of those benefits.

Amount of Payment. A broker or dealer through which RIM wishes to use soft dollars may establish “credits” relating to brokerage commissions paid in the past, which may be used to pay for research products or services. In other cases, a broker or dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate the broker or dealer. The actual transactional business with such a broker-dealer may be less than the suggested level but can – and often will – exceed that level. This may be in part because the investment activities generate aggregate commissions in excess of the aggregate suggestions from all broker-dealers providing services and products. Additionally, it may be in part because those broker-dealers may also provide superior execution and may therefore be most appropriate for particular transactions. Broker-dealers are not excluded from the clients’ business simply because they have not provided research services or products.

Review. RIM monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

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(continued)**

Aggregation of Orders; Trade Allocation. RIM performs investment management services for various clients. To the extent RIM advises other accounts, it may make investment decisions for one client together with or independently from its other clients. RIM may combine orders on behalf of one client with orders for other accounts for which RIM has trading authority or in which RIM has an economic interest. In such cases, RIM will attempt to allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) equitably among the various participants. For example, RIM may allocate on a pro rata basis or more to newly established accounts for the purpose of seeking to fully invest such accounts as quickly as possible. While RIM believes combining orders in this way will, over time, be advantageous to all participants, in particular cases the price could be less advantageous to a client than if such client had been the only account effecting the transaction or had completed its transaction before the other participants.

RIM endeavors to ensure that all clients are treated fairly. However, because clients may have different restrictions or objectives, RIM may make different investment decisions for each client, and the performance of clients will differ. RIM will not necessarily purchase or sell the same securities for clients at the same time or in the same proportionate amounts for all clients. There may be times when RIM buys a security for one client at the same time it is selling the security for another client.

Referrals. In addition to the factors described above, RIM may select a broker to execute transactions for clients not governed by ERISA in recognition of that broker's referral of clients or investors in private or other investment funds managed by RIM, or in anticipation of future referrals. As with soft dollar payments for research or other products or services, in some cases the transaction compensation paid in connection with such a selection might be higher than that obtainable from another broker who did not provide (or undertake to provide) referrals. However, RIM will always seek "best execution." Awarding transaction business to brokers in recognition of past or future referrals may involve an incentive for RIM to cause clients to effect more transactions than they might otherwise do in order to stimulate more referrals.

Brokerage Direction. In some instances, because of a prior relationship between a client and one or more brokers, or for other reasons, a client may instruct RIM to execute some or all securities transactions for its account with or through one or more brokers designated by the client. In such cases, the client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by such brokers and the client is satisfied with such terms and conditions. RIM will assume no responsibility for obtaining the best prices or any particular commission rates for transactions with or through any such broker for such client's account. The client must recognize that it may not obtain rates as low as it might otherwise obtain if RIM had discretion to select broker/dealers other than those chosen by the client. Any client providing instructions to RIM regarding direction of brokerage transactions must notify RIM in writing if the client desires RIM to cease executing transactions with or through any such broker/dealer.

Relationship with BRC. RIM shares office space, administrative and recordkeeping resources and certain overhead expenses with BRC and benefits from BRC's office equipment, supplies, telephone, utilities and other services. RIM compensates BRC for these services. As discussed above, RIM expects to execute a substantial portion of the Fund's and other clients' brokerage transactions through BRC. To the extent the amount paid by RIM for these services is less than BRC's cost of providing these services; this relationship might be considered a "soft dollar" relationship. Under Section 28(e), an investment adviser's use of client commission dollars to acquire "research" and brokerage products and services is not a breach of the adviser's fiduciary duty to clients, even if the commissions paid are higher than the lowest available, so long as (among other requirements) the adviser determines that the commissions are reasonable in light of the brokerage services and the research provided. Payments of "soft dollars" outside the Section 28(e) safe harbor do not necessarily involve a breach of fiduciary duty. The Funds' governing documents and the client advisory contracts for individually managed accounts will authorize RIM to maintain this relationship with BRC even if it does not comply with the conditions of Section 28(e).

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**Item 12
(continued)**

Solicitation. RIM may also employ solicitors to whom it will pay cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice will be disclosed in writing to the client and RIM will comply with the other applicable requirements under the California Corporate Securities Law of 1968 and/or Rule 206(4)-3, under the Investment Advisers Act of 1940, as amended. In particular, RIM will (1) ensure that associated persons provide clients with a current copy of RIM's written disclosure statement and the solicitor's written disclosure document and (2) furnish to the California Department of Corporations a Form U-4 and the requisite filing fee for each individual who solicits investment advisory services for RIM.

"Prime Brokerage" Arrangement

The Fund does, and individual clients of RIM may, obtain certain custodial, clearing, recordkeeping, and related services through what is known as a "prime brokerage" arrangement. Under this arrangement, a single broker (the "Prime Broker") maintains custody of fund or other client assets (either directly or through its clearing brokerage firm), provides margin credit and locates securities to borrow to facilitate short sales, and provides related services. Although the Fund or other client may use other brokers to execute transactions, the prime brokerage arrangement allows RIM, as general partner and/or investment manager of a Fund or individual clients, to seek valuable research and compare execution quality and commission rates, while maintaining only one custodial relationship. The Prime Broker is compensated for its services through interest on credit balances, margin borrowing, stock loans and brokerage commissions; this allows the Fund and any individual client with a "prime broker" arrangement to avoid paying custodial fees to banks.

The Prime Broker generally (1) arranges for the receipt and delivery of securities purchased, sold, borrowed, and loaned; (2) makes and receives payments for securities; (3) maintains custody of securities and cash; (4) delivers cash to bank accounts; (5) tenders securities in connection with cash tender offers, exchange offers, mergers, or other corporate reorganizations; and (6) provides detailed portfolio and related reports. RIM may cause the Fund or other clients to pay for custodial and related services either in cash or by allocating a portion of its brokerage business to the Prime Broker.

Item 13

Additional Compensation

RIM may receive from broker-dealers products or services which are used both for investment research and for administrative, marketing, or other non-research purposes. In such instances, RIM makes a good faith effort to determine the percentage of such products or services which are used in connection with investment research. As discussed under item 12 above, the portion of the costs of such products or services attributable to research may be defrayed through "soft dollar" arrangements, whereby RIM directs client transactions to brokers providing the research. RIM pays the broker in cash for the portion of such costs attributable to non-research products or services.

RIM from time to time may compensate employees and non-employees for client referrals. If required, RIM will have a written agreement with such persons with respect to solicitation activities and referral fees, and clients referred pursuant to such arrangements receive a disclosure document describing the arrangement.