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**Part 2A Appendix 1 of Form ADV:  
Wrap Fee Program Brochure March  
2011**

This wrap fee brochure provides information about the qualifications and business practices of E.K. Riley Investments, LLC. If you have any questions about the contents of this brochure, please contact us at 206-832-1520 and/or [alexis.vandenbos@ekriley.com](mailto:alexis.vandenbos@ekriley.com). 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 E.K. Riley Investments, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 121003.

## ITEM 2: MATERIAL CHANGES

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/31/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

This Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information. Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Material changes in E.K. Riley Investments, LLC's Advisory Programs since September 2010:

- Two new wrap fee programs have been added:
  - Customized Portfolios
  - Allocation Advisors
- Effective March 31, 2011, the fee structure has changed on all of the wrap fee programs. This change impacts new accounts only. Client fees will not be increased for existing accounts without a new signed client agreement.

Effective March 31, 2011, the required minimum account value is being increased to \$100,000. The charge impacts new accounts only. For accounts opened prior to March 31, 2011, the required minimum account value remains \$50,000

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## ITEM 4: SERVICES, FEES AND COMPENSATION

### SERVICES

E.K. Riley Investments, LLC (EKR) has entered into an agreement with Wells Fargo Advisors (“WFA”), pursuant to which WFA provides advisory and/or other services with respect to the Programs. Clients of investment advisory accounts described in this wrap brochure are clients of EKR. EKR is not related to or affiliated with WFA or First Clearing, LLC (the “Clearing Agent”). Unless otherwise specified, EKR or Clearing Agent will maintain custody of client assets. Clearing Agent qualifies as a “qualified custodian” as described by Rule 206(4)-2 of the Investment Advisers Act. WFA and Clearing Agent each reserves the right to reject and not provide services to any client or with respect to any client account for any reason.

All of the wrap fee program accounts described in this brochure are charged a fee on eligible assets that covers advisory, execution, custodial, and reporting services. Fees are billed quarterly in advance except in the case of some money managers under the Private Advisor Network who bill in arrears.

WFA provides advisory and other services to EKR with respect to the following programs: Masters, Diversified Managed Allocations, Wells Fargo Compass Advisory, Allocation Advisors, Customized Portfolios, FundSource and Pathways. Please review the appropriate WFA Disclosure Documents for a complete description of each program. EKR offers these programs in accordance with the following fee schedules:

### MASTERS

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to Masters Accounts.

Listed below are EKR’s standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. The minimum account size for Masters is \$100,000, and may be subject to manager minimums.

#### EKR Standard Fees for Masters Program

Assets under Management	Minimum Fee (Manager Fee not Included)	Maximum Fee (Manager Fee not Included)
\$100,000 to \$250,000	1.25%	1.75%
\$250,001 to \$500,000	1.00%	1.75%
\$500,001 to \$750,000	1.00%	1.50%
\$750,001 to \$1,000,000	0.75%	1.25%
\$1,000,001 to \$2,000,000	0.75%	1.15%
\$2,000,001 and above	Negotiated	1.15%

#### EKR Standard Fees for Masters Program—Fixed Income Only

Assets under Management	Minimum Fee (Manager Fee not Included)	Maximum Fee (Manager Fee not Included)
\$100,000 to \$250,000	1.25%	1.50%
\$250,001 to \$500,000	1.00%	1.50%
\$500,001 to \$750,000	0.75%	1.25%
\$750,001 to \$1,000,000	0.50%	1.00%
\$1,000,001 to \$2,000,000	0.50%	0.85%
\$2,000,001 and above	Negotiated	0.85%

Minimum account fee requirements may cause Client to effectively pay a fee that is higher than the standard program fee. Minimum quarterly fee for Masters Program is \$375.

The Third Party Manager fee will be added to the fee schedule above. The Manager fee for Equity Accounts is generally 0.50%, although a few managers have imposed higher fees. The Manager fee for Fixed Income accounts is generally 0.30%.

## **DIVERSIFIED MANAGED ALLOCATIONS (DMA)**

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to DMA accounts.

Listed below are EKR's standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. The minimum account size for DMA is \$150,000, and may be subject to portfolio minimums, depending on client's asset level.

### **EKR Standard Fees for Diversified Managed Allocations (DMA)**

<b>Assets under Management</b>	<b>Minimum Fee</b>	<b>Maximum Fee</b>
\$150,000 to \$500,000	1.75%	2.75%
\$500,001 to \$1,000,000	1.50%	2.50%
\$1,000,001 to \$2,000,000	1.25%	2.00%
\$2,000,001 and above	Negotiated	Negotiated

Minimum account fee requirements may cause Client to effectively pay a fee that is higher than the standard program fee. There is a minimum quarterly fee requirement of \$500.

The Third Party Manager fee is included in the fee schedule above. The schedule below show the portion of above schedule that will be paid to the Third Party Manager:

### **Third Party Manager fees for DMA**

<b>Strategy</b>	<b>Fee</b>
Equity Accounts	0.55%
Balanced Accounts	0.50%
Fixed Income	0.40%
Completion Sleeves	0.25%
Mutual Funds/ETF's	0.05%

Management fees will be calculated based on the percentage of assets in each strategy.

## **WELLS FARGO COMPASS ADVISORY**

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to Wells Fargo Compass Advisory accounts.

Listed below are EKR's standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. The minimum account size for the portfolios offered in the Wells Fargo Compass Advisory Program range from \$50,000 to \$250,000, depending on the portfolio.

**EKR Standard Fees for Wells Fargo Compass Advisory**

Assets under Management	Minimum Fee	Maximum Fee
\$50,000 to \$250,000	1.25%	2.50%
\$250,001 to \$1,000,000	1.25%	2.00%
\$1,000,001 and above	Negotiated	1.50%

**EKR Standard Fees for Wells Fargo Compass Advisory—Fixed Income Only**

Assets under Management	Minimum Fee	Maximum Fee
\$50,000 to \$250,000	1.25%	1.50%
\$250,001 to \$1,000,000	1.00%	1.25%
\$1,000,001 and above	Negotiated	1.00%

Minimum account fee requirements may cause Client to effectively pay a fee that is higher than the standard program fee. There is a minimum quarterly client fee requirement of \$250 for the Individual, Asset allocation and ETF strategies and \$375 for the Fixed Income strategies.

Manager fees are included in the fee schedule above. The schedule below shows the portion of above schedules that will be paid to the Manager. The Manager fees are based on account value as follows:

**Manager Fees for Wells Fargo Compass Advisory**

Account Value	Fees for all Strategies Except Fixed Income	Fee for Fixed Income Strategies
First \$500,000	0.25%	0.20%
Next \$500,000	0.225%	0.20%
Next \$1,000,000	0.20%	0.18%
Next \$3,000,000	0.175%	0.18%
Next \$5,000,000	0.15%	0.18%
Over \$10,000,000	None	0.15%

Management fees will be calculated based on the percentage of assets in each strategy.

**ALLOCATION ADVISORS**

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to Allocation Advisors Advisory accounts.

Listed below are EKR's standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. The minimum account size for the portfolios offered in the Allocation Advisors Program range from \$25,000 to \$50,000, depending on the portfolio.

**EKR Standard Fees for Allocation Advisors**

Assets under Management	Minimum Fee	Maximum Fee
\$25,000 to \$250,000	1.25%	2.00%
\$250,001 to \$500,000	1.25%	1.75%
\$500,001 to \$750,000	1.00%	1.75%
\$750,001 to \$1,000,000	1.00%	1.50%
\$1,000,001 to \$2,000,000	0.75%	1.15%
\$2,000,001 and above	Negotiated	1.15%

The fees do not cover the fees and expenses of any underlying exchange traded funds, closed end funds, or mutual funds.

Minimum account fee requirements may cause Client to effectively pay a fee that is higher than the standard program fee. There is a minimum quarterly client fee requirement of \$250 for the Tactical Portfolios and \$75 for the Strategic Portfolios.

## **CUSTOMIZED PORTFOLIOS**

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to Customized Portfolios accounts.

Listed below are EKR's standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. The minimum account size for the Customized Portfolios Program is \$2,000,000 for the taxable and municipal fixed income strategies.

### **EKR Standard Fees for Customized Portfolios**

<b>Assets under Management</b>	<b>Minimum Fee</b>	<b>Maximum Fee</b>
\$2,000,000 to \$5,000,000	0.60%	1.25%
\$5,000,001 to \$20,000,000	0.50%	0.75%
\$20,000,001 and above	Negotiated	Negotiated

Minimum account fee requirements may cause Client to effectively pay a fee that is higher than the standard program fee. There is a minimum quarterly client fee requirement of \$1375 quarterly and \$5000 annually.

Management fees are included in the fee schedule above. Manger fees are 0.28% for the first \$5,000,000.

## **FUNDSOURCE**

Please see the WFA Mutual Fund Advisory Wrap Fee Brochure for a description of the services and additional fee information applicable to FundSource accounts.

Listed below are EKR's standard fees for this program, which are negotiable and may differ from those described in the WFA Mutual Fund Advisory Wrap Fee Brochure. The minimum account size for FundSource is \$25,000.

### **EKR Standard Fees for FundSource**

<b>Assets under Management</b>	<b>Minimum Fee</b>	<b>Maximum Fee</b>
\$25,000 to \$250,000	1.25%	2.00%
\$250,001 to \$500,000	1.25%	1.75%
\$500,001 to \$750,000	1.00%	1.75%
\$750,001 to \$1,000,000	1.00%	1.50%
\$1,000,001 to \$2,000,000	0.75%	1.15%
\$2,000,001 and above	Negotiated	1.15%

Minimum account fee requirements may cause Client to effectively pay a fee that is higher than the standard program fee. There is a minimum quarterly client fee requirement of \$75.

As a shareholder in mutual funds, Program participants will also bear a proportionate share of the funds'

expenses, including management and administrative fees paid to the Fund's investment advisers. Please review the funds' prospectus for a full explanation of fund expenses and charges.

## **PATHWAYS**

Please see the WFA Mutual Fund Advisory Wrap Fee Brochure for a description of the services and additional fee information applicable to Pathways accounts.

Listed below are EKR's standard fees for this program, which are negotiable and may differ from those described in the WFA Mutual Fund Advisory Wrap Fee Brochure. The minimum account size for Pathways is \$25,000.

### **EKR Standard Fees for Pathways**

<b>Assets under Management</b>	<b>Minimum Fee</b>	<b>Maximum Fee</b>
\$25,000 to \$250,000	1.25%	2.00%
\$250,001 to \$500,000	1.25%	1.75%
\$500,001 to \$750,000	1.00%	1.75%
\$750,001 to \$1,000,000	1.00%	1.50%
\$1,000,001 to \$2,000,000	0.75%	1.15%
\$2,000,001 and above	Negotiated	1.15%

Minimum account fee requirements may cause Client to effectively pay a fee that is higher than the standard program fee. There is a minimum quarterly client fee requirement of \$75.

As a shareholder in mutual funds, Program participants will also bear a proportionate share of the funds' expenses, including management and administrative fees paid to the Fund's investment advisers. Please review the funds' prospectus for a full explanation of fund expenses and charges.

WFA does not provide advisory services to EKR with respect to Private Investment Management, Asset Advisor, Private Advisor Network and CustomChoice. While EKR is the sponsor of these advisory programs, WFA provides certain non-advisory services which enable EKR to offer these programs.

## **Private Investment Management ("PIM")**

With PIM, certain specially trained EKR Financial Advisors (called Portfolio Managers) provide investment advisory and brokerage services to your account on a discretionary basis. As a minimum criterion for providing advisory services, EKR requires our Portfolio Managers to possess satisfactory past business experience, plus any required industry examinations and registrations. Based on your investment objectives and individual needs, your Financial Advisor will have discretion to manage your assets to an appropriate investment strategy.

After personal discussions with an EKR financial advisor in which goals and objectives based on a client's particular circumstances are established, the client will complete a personal financial statement and a client profile/investment policy. A portfolio will be created and managed based on the client profile/investment policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

Account supervision is guided by the client's stated objectives (i.e., acceptable level of portfolio risk, income needs, goals, time horizon), as well as tax considerations.



## METHODS OF ANALYSIS

PIM Portfolio Managers may use any of the following methods of analysis in formulating their investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Quantitative Analysis.** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Market Timing:** In addition to use with other forms of analysis, software providing market timing information may be used.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that

security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Money Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Individual PIM Portfolio Managers may develop specific investment strategies using a mix of these analytic methods. They also establish quality and concentration requirements to provide overall discipline.

Such strategies ordinarily include long and short-term securities purchases and, depending on your objectives and the Portfolio Manager's investment philosophy, supplemental covered option writing. In special circumstances, the strategies may also include margin transactions, other option strategies and trading or short sale transactions.

## INVESTMENT STRATEGIES

PIM Portfolio Managers may use any of the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

**Risk of Loss.** Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

Due to any number of factors, including timing of deposits, investment selection process or investment needs, certain clients may receive different execution prices and investment results.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

**LIMITATIONS:** As individuals of EKR are registered as representatives of a broker-dealer and/or as insurance agents/brokers of various insurance companies, investment recommendations are limited to those products offered through these companies which will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Insurance (i.e., term insurance, long-term care)
- Variable life insurance
- Fixed annuities
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Mortgage-backed securities
- Options contracts on securities

- Cash Alternative Investments (i.e., money market funds)

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Listed below are EKR's standard fees for this program which are negotiable. PIM accounts are charged an all-inclusive fee that covers advisory, execution, custodial and reporting services. Billed quarterly in advance, the standard PIM fee schedule is based on program eligible assets. The minimum account size for Private Advisor Network is \$100,000.

#### **EKR Standard Fees for Private Investment Management**

<b>Assets under Management</b>	<b>Minimum Fee</b>	<b>Maximum Fee</b>
\$100,000 to \$250,000	1.25%	2.50%
\$250,001 to \$750,000	1.00%	2.50%
\$750,001 to \$1,000,000	1.00%	2.25%
\$1,000,001 to \$2,000,000	0.75%	2.00%
\$2,000,001 and above	Negotiated	2.00%

#### **EKR Standard Fees for Private Investment Management—Fixed Income Only**

<b>Assets under Management</b>	<b>Minimum Fee</b>	<b>Maximum Fee</b>
\$100,000 to \$250,000	1.25%	2.50%
\$250,001 to \$750,000	1.00%	2.50%
\$750,001 to \$1,000,000	1.00%	2.25%
\$1,000,001 to \$2,000,000	0.75%	2.00%
\$2,000,001 and above	Negotiated	2.00%

Minimum account fee requirements may cause Client to effectively pay a fee that is higher than the standard program fee. There is a minimum quarterly client fee requirement of \$250.

#### **Asset Advisor**

Asset Advisor is a non-discretionary, client directed investment program in which your Financial Advisor may provide a broad range of investment recommendations based on your investment objectives, financial circumstances and risk tolerance. You have the option of accepting these recommendations or selecting different investments for your account.

Most types of securities are eligible for purchase in an Asset Advisor account including, but not limited to, common and preferred stocks, exchange-traded funds, closed end funds, fee-based unit investment trusts, corporate and government bonds, certificates of deposit, options, structured products, certain mutual funds whose shares can be purchased at net asset value, and certain wrap class alternative investments, such as hedge funds and managed futures funds. Collectively, these are referred to as "Program Assets."

Hedge funds and managed futures are not suitable for all investors. Hedge funds are complex investment vehicles that often use leverage and other speculative investment practices, such as short sales, options, derivatives, futures and illiquid investments that may increase the risk of investment loss. Managed futures are speculative investments that are subject to a significant amount of risk. This Disclosure Document is not a solicitation, recommendation or invitation to invest in alternative investments and is

intended solely to disclose the availability of alternative investments within Asset Advisor.

Certain assets, such as commodity futures contracts, options on such contracts, annuities, limited partnership interests, and mutual funds that cannot be purchased at net asset value are not eligible as Program Assets, and are referred to collectively as "Excluded Assets." You may purchase or sell Excluded Assets in your account, but these transactions will incur commissions or charges.

Although certain investments including alternative investments such as managed futures, hedge funds which include futures and commodity futures contracts are available to purchase in the Asset Advisor program, EKR will not give advice nor allow purchase of these securities in the Asset Adviser program unless both EKR and the EKR Financial Advisor is licensed to sell the security.

While new-issue CDs are an eligible Program Asset, the yield of new-issue CDs takes into account a sales concession in order to compensate the brokerage firms that sell the CDs. For certain advisory accounts, the underwriter retains this sales concession. Although EKR does not receive the sales concession, it has an impact on the overall yield paid to you. Since we charge an advisory fee on all eligible assets within an advisory Account, you are effectively charged both the sales concession (retained by the underwriter) and the advisory fee on the CD. These charges reduce the overall yield on the CD and, in some cases, this may result in a negative yield. You should be aware that you could obtain the same CDs without being subject to the advisory fee if you purchase it in a non-advisory brokerage Account.

An Asset Advisor account may not be used for market timing strategies or activities for mutual funds or any extreme trading activity that EKR or Clearing Agent, in its sole discretion, deems detrimental to the interest of average fund shareholders or contrary to the policies or interest of mutual fund companies with whom EKR or its Clearing Agent maintains relationships. EKR or its Clearing Agent, in its sole direction, or by direction of the fund company, reserves the right to reject any transactions or to assess a redemption fee for any partial or full liquidation execution in which the account trading appears to be inconsistent with the fund's prospectus. Furthermore, EKR will cooperate, when asked by a fund company, to aid in its attempt to identify and impede the efforts of Financial Advisors and investors engaging in market timing or extreme trading activity. If the fund company notifies EKR to reject or cancel a trade for any reason, EKR reserves the right to cancel such trade without prior notice to Client. EKR will not be held accountable for any losses resulting from market timing activities or any action taken under its market timing policies. In addition, the frequency of mutual fund transactions and exchanges is subject to any limits established by the application mutual funds and EKR.

Listed below are EKR's standard fees for this program which are negotiable. Asset Advisor accounts are charged an all-inclusive fee that covers advisory, execution, custodial, and reporting services. Billed quarterly in advance, the standard Asset Advisor fee schedule is based on program eligible assets. The minimum account size for Asset Advisor is \$100,000.

**EKR Standard Fees for Asset Advisor**

<b>Assets under Management</b>	<b>Minimum Fee</b>	<b>Maximum Fee</b>
\$100,000 to \$250,000	1.25%	2.50%
\$250,001 to \$750,000	1.00%	2.50%
\$750,001 to \$1,000,000	1.00%	2.25%
\$1,000,001 to \$2,000,000	0.75%	2.00%
\$2,000,001 and above	Negotiated	2.00%

**EKR Standard Fees for Asset Advisor--Fixed Income Only**

<b>Assets under Management</b>	<b>Minimum Fee</b>	<b>Maximum Fee</b>
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\$100,000 to \$250,000	1.25%	2.50%
\$250,001 to \$750,000	1.00%	2.50%
\$750,001 to \$1,000,000	1.00%	2.25%
\$1,000,001 to \$2,000,000	0.75%	2.00%
\$2,000,001 and above	Negotiated	2.00%

Minimum account fee requirements may cause Client to effectively pay a fee that is higher than the standard program fee. There is a minimum quarterly client fee requirement of \$250.

### Private Advisor Network

Through Private Advisor Network ("PAN"), EKR will assist you in identifying an investment adviser to perform investment advisory services with respect to your assets. EKR's services may include preparing an investment policy statement in connection with anticipated advisory needs, matching personal and financial data provided by you with a roster of investment advisers, periodic evaluation and comparison of account performance, and continuing investment performance and objectives.

EKR will provide information on investment advisers that appears to meet your needs. Screening criteria may include the investment adviser's past record, management style, location, size of account, etc. With the assistance of an EKR Financial Advisor, you may then choose one or more investment advisers to manage your assets.

All accounts are managed by the independent investment adviser(s) selected by you. Neither EKR nor WFA has discretionary trading authority with respect to such accounts. Information collected by EKR regarding PAN advisers is believed to be reliable and accurate but EKR does not necessarily independently verify it on all occasions. EKR does not assume responsibility for the conduct of investment advisers that clients select, including their performance or compliance with laws or regulations.

You will also be provided with a quarterly portfolio performance monitor. EKR or its agent will furnish you and/or EKR with a statistical presentation of the performance of your account.

You have the choice of compensating EKR in one of two ways for Network services:

Listed below are EKR's standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. The minimum account size for Masters is \$100,000, and may be subject to manager minimums.

Fee Schedule – You pay a fee for both Network services and execution services, with no separate charge being imposed by us for brokerage commissions on agency trades or markups or markdowns on principal transactions. Listed below are EKR's standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. EKR fees are billed quarterly in advance. The minimum account size for Private Advisor Network is \$100,000, and may be subject to manager minimums.

### EKR Standard Fees for Private Advisor Network

<b>Assets under Management</b>	<b>Minimum Fee (Manager Fee not Included)</b>	<b>Maximum Fee (Manager Fee not Included)</b>
\$100,000 to \$250,000	1.25%	1.75%
\$250,001 to \$500,000	1.00%	1.75%
\$500,001 to \$750,000	1.00%	1.50%
\$750,001 to \$1,000,000	0.75%	1.25%
\$1,000,001 to \$2,000,000	0.75%	1.15%
\$2,000,001 and above	Negotiated	1.15%

**EKR Standard Fees for Private Advisor Network—Fixed Income Only**

<b>Assets under Management</b>	<b>Minimum Fee</b> (Manager Fee not Included)	<b>Maximum Fee</b> (Manager Fee not Included)
\$100,000 to \$250,000	1.25%	1.50%
\$250,001 to \$500,000	1.00%	1.50%
\$500,001 to \$750,000	0.75%	1.25%
\$750,001 to \$1,000,000	0.50%	1.00%
\$1,000,001 to \$2,000,000	0.50%	0.85%
\$2,000,001 and above	Negotiated	0.85%

Minimum account fee requirements may cause Client to effectively pay a fee that is higher than the standard program fee. Minimum quarterly fee for Private Advisor Network is \$375.

Execution Schedule - You pay for Network services by paying commissions for each transaction in the account at our normal commission rate for such agency transactions and at the normal markup or markdown imposed on client accounts for principal transactions. You will also be subject to any other fees associated with our standard brokerage accounts, including postage and handling fees, transfer taxes, exchange fees (among which SEC fees may be included), and any other fees required by law.

Neither the Execution Schedule nor Fee Schedule includes the investment adviser fees of the third-party investment manager. You pay for the services of the investment adviser separately. You authorize us to pay the separate investment advisory management fee invoiced by the adviser by debiting the client account accordingly. Manager fees may be billed in advance or in arrears. It is your responsibility to determine if any such invoice from the investment adviser is proper or if the amount of fees charged is accurate. You may revoke EKR's authorization to pay the investment adviser fee at any time by written notice.

Third party investment manager fees generally range from 0.50% to 0.65%, although managers have imposed higher fees.

**CustomChoice**

CustomChoice is a non-discretionary investment advisory program designed to help you allocate your assets among open-end mutual funds in accordance with your individual investment goals, objectives, and expectations. Based on the investment objectives and risk tolerance reported in your Account Profile, your Financial Advisor will recommend an appropriate mix of various open-end mutual funds and money market funds.

You have the option of accepting any of our recommendations, or selecting an alternative combination of funds. We will implement your investment decisions, but will not have investment discretion over your account, except for the limited discretion to rebalance your target asset allocation, if you authorize us to do so. Over time, as changes occur in the financial markets and/or your investment objectives and circumstances, we may recommend changes in your portfolio. In making these recommendations, we will take the updated information in your Account Profile into account. You are advised that your decisions relating to investments in mutual funds may have tax consequences that should be discussed with your tax advisor. In order to maintain your portfolio in conformance with your target asset allocation, you may authorize us to rebalance your Account using an automated rebalance trading system. You may select a quarterly, semi-annual or annual rebalance option.

Listed below are EKR's standard fees for this program, which are negotiable and may differ from those described in the WFA Mutual Fund Advisory Wrap Fee Brochure. The minimum account size for CustomChoice is \$25,000.

CustomChoice accounts are charged an all-inclusive fee on eligible mutual funds that covers advisory, execution, custodial, and reporting services. Billed quarterly in advance, the standard CustomChoice fee schedule is based on program eligible mutual funds:

**EKR Standard Fees for CustomChoice**

<b>Assets under Management</b>	<b>Minimum Fee</b>	<b>Maximum Fee</b>
\$25,000 to \$250,000	1.25%	2.00%
\$250,001 to \$500,000	1.25%	1.75%
\$500,001 to \$750,000	1.00%	1.75%
\$750,001 to \$1,000,000	1.00%	1.50%
\$1,000,001 to \$2,000,000	0.75%	1.15%
\$2,000,001 and above	Negotiated	1.15%

Minimum account fee requirements may cause Client to effectively pay a fee that is higher than the standard program fee. There is a minimum quarterly client fee requirement of \$75.

As a shareholder in mutual funds, Program participants will also bear a proportionate share of the funds' expenses, including management and administrative fees paid to the Fund's investment advisers. Please review the funds' prospectus for a full explanation of fund expenses and charges.

**ADDITIONAL FEE AND COMPENSATION INFORMATION**

You should be aware that program fees charged may be higher or lower than those otherwise available if you were to select a separate brokerage service and negotiate commissions in the absence of the extra advisory service provided. Our fee schedules may be subject to negotiation depending upon a range of factors including, but not limited to account sizes and overall range of services provided.

You should consider the value of these advisory services when making such comparisons. The combination of custodial, advisory and brokerage services may not be available separately or may require multiple accounts, documentation and fees. You should also consider the amount of anticipated trading activity when selecting among the programs and assessing the overall cost. Advisory programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash weightings may result in higher fees than if commissions were paid separately for each transaction.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and/or for determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

A portion of the fees or commissions charged for the programs described here may be paid to EKR Financial Advisors in connection with the introduction of accounts as well as for providing client- related services within the programs. This compensation may be more or less than a Financial Advisor would receive if you paid separately for investment advice, brokerage, and other services, and may vary, depending on the program or services offered.

Unless agreed upon otherwise, you authorize us to deduct a quarterly fee calculated at the rate indicated in the Fee Schedule for that program from your account, in advance. For the purposes of calculating program fees, "total account value" shall mean the sum of the long and short market value of all securities and mutual funds, if applicable. In valuing the account, we will use the closing prices or, if not available, the lowest published "bid-price" and if none exist, the last reported transaction if occurring within the last



45 days. For mutual funds, we use the fund's most current net asset value, as computed by the fund company. In so doing, we will use information provided by quotation services believed to be reliable.

The initial fee is calculated as of the date that the account is accepted into the program and covers the remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the value of the account on the last business day of the prior calendar quarter.

No fee adjustment will be made during any fee period for appreciation or depreciation in the value of the assets in your account during that period. Your account will be charged or refunded a prorated quarterly fee on any net additions or net withdrawals in the account during a month. Fees will be charged or refunded if the net addition or net withdrawal would generate a fee or refund of at least \$40 for that quarter. Fees will be assessed in the month following the net addition or net withdrawal. Fees are based on the value of the assets in your Account, and EKR shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of your funds.

Whenever there are changes to the fee schedule, the schedule charges previously in effect shall continue until the next billing cycle.

Certain money managers in the Private Advisor Network may bill clients separately and quarterly in arrears. Unless agreed upon otherwise, the fee will be deducted from your account based on the fee agreement with the money manager. Please refer to the money manager's ADV Part 2 regarding their calculation of fees.

### **Risk in the Use of Margin**

To the extent margin is used in your account, you should be aware that the margin debit balance will not reduce the market value of eligible assets, and will therefore increase the asset-based fee you are charged. The increased asset-based fee may provide an incentive for your Financial Advisor to recommend the use of margin strategies. The use of margin is not suitable for all investors, since it increases leverage in your Account and therefore risk.

### **Other Account Fees**

The fee does not include certain dealer markups or markdowns, odd lot differentials, transfer taxes, exchange fees, execution fees (foreign and/or domestic) when applicable, and any other fees required by law. Cash balances in an Account may be invested in money market mutual funds including, as permitted by law, those with which we have agreements to provide advisory, administrative, distribution, and other services and for which we receive compensation for the services rendered. In a low interest rate environment, the yield that you earn on cash and cash alternatives, including cash sweep funds, CDs and money market funds may not offset advisory fees. In some instances, the effective yield of the investment may in fact be negative.

Non-brokerage-related fees, such as IRA fees, are not included in the wrap fee and may be charged to your account separately. As more fully described in the fee schedules above, the fees you are charged may be different, depending on the asset type invested by the account.

Management personnel and other related persons of our firm are licensed as registered representatives of EKR and/or licensed as insurance agents or brokers. In their separate capacity(ies), these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering

implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Your Financial Advisor may suggest that you use other products and services that EKR offers, but that are not available through the program you select ("Excluded Assets"). Excluded Assets are not charged a program fee and are not considered a part of the program or program services. We generally recommend that you hold these Excluded Assets in a separate brokerage account. If an excluded fund purchased for or transferred into your account later becomes eligible for the program, program fees will apply to that fund and it may become subject to the rebalance trading system. You will incur any usual and customary brokerage charges and fees imposed on transactions in Excluded Assets which may include (i) any dealer markups and odd lot differentials and transfer taxes; (ii) charges imposed by broker-dealers and custodians other than WFA and its affiliates and fees for other products and services that we and our affiliates may offer; (iii) offering discounts, commissions and related fees in connection with underwritten public offerings of securities; (iv) margin interest and operational fees and charges; (v) IRA fees; and (vi) any redemption fees, exchange fees and or similar fees (among which SEC fees are included) imposed in connection with mutual fund transactions whereby EKR or your Financial Advisor may receive additional compensation on these Excluded Assets.

### **Costs of Investing in Mutual Funds**

In addition to program fees, as a shareholder of a money market, mutual fund or closed-end fund, you will bear a proportionate share of the fund's expenses, including investment management fees that are paid to the fund's investment adviser, who may be an affiliate of ours. EKR may receive fees from these mutual funds or closed-end funds. For more information about these funds, refer to their prospectuses.

You should be aware that you may invest in Money Market Funds or Mutual Funds directly without incurring the fee charged for participation in a program. In addition, certain institutional investors may directly purchase a class of shares of certain money market funds or funds that do not charge shareholder services, sub-accounting or other related fees. If you do, however, you will not receive the various program services provided under the program and some mutual funds may impose a sales load on direct investments. You will receive a prospectus for each money market and mutual fund purchased, as required by securities regulations.

EKR or our service providers may collect such fees directly or indirectly from some or all of the mutual funds in which you invest, and we may pay any such fees it receives to EKR Financial Advisors. The amount of the fees we or your Financial Advisor receive will vary, depending on the percentage paid pursuant to a fund's Rule 12b-1 plan.

Certain Funds make multiple no-load, institutional, advisory, or load-waived share classes available for purchase through investment advisory programs. These share classes may be available only through EKR investment advisory programs and have different and lower shareholder servicing, sub-accounting, investment management and 12b-1 fees and charges from other shares classes offered by those Funds. As a result, some clients may have purchased these lower-cost institutional share classes, while others may have purchased a non-institutional share class.

### ***Additional Fees and Expenses***

In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

**Grandfathering of Minimum Account Requirements**

Pre-existing advisory clients are subject to EKR's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts**

If EKR is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. . As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, EKR may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset EKR's advisory fees.

**Limited Prepayment of Fees**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

**Compensation**

It is EKR's policy not to engage solicitors or to pay related or non-related persons for referring potential wrap program clients to our firm.

**Account Termination**

Your account agreements may be terminated by either party at any time upon notice. If you terminate your Agreement, a pro rata refund will be made, less reasonable start-up costs. You have the right, within five (5) days of execution, to terminate the Client Agreement without penalty. In the event of cancellation of Client Agreements, fees previously paid pursuant to the fee schedule will be refunded on a pro rata basis, as of the date notice of such cancellation is received by the non-canceling party, less reasonable start-up costs.

If you choose to terminate your agreement with any of our investment advisory programs, we can liquidate your account if you instruct us to do so. If so instructed we will liquidate your account in an orderly and efficient manner. We do not charge for such redemption; however, you should be aware that certain mutual funds impose redemption fees as stated in their fund prospectus. You should also keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with your tax advisor.

We will not be responsible for market fluctuations in your account from the time of notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner. Factors that may affect the orderly and efficient liquidation of an account might be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate an advisory account, termination orders cannot be considered market orders. It may take several business days under normal market conditions to process your request.

If a program account is terminated, but you maintain a brokerage account with us, the money market fund used in a "sweep" arrangement may be changed and/or your shares may be exchanged for shares of

another series of the same fund. You will bear a proportionate share of the money market fund's fees and expenses. You are subject to the customary brokerage charges for any securities positions sold in your account after the termination of program services.

## ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

### **Account Requirements**

The minimum initial account values for the Programs in this document are listed below. Under certain circumstances, the minimum account size may be waived. WFA may act as sub-adviser for the advisory programs. The minimum and maximum account size required by EKR may differ than that required by WFA as stated in its advisory program Wrap Fee Brochure or applicable Disclosure Document. You should refer to the chart below, as appropriate, to determine the minimum account sizes permitted.

<b>Program Name</b>	<b>Minimum Account Size</b>
Masters	\$100,000 subject to Manager's minimum
DMA	\$150,000 or portfolio minimum
Private Advisor Network	\$100,000 subject to Manager's minimum
Private Investment Management (PIM)	\$100,000
Asset Advisor	\$100,000
Wells Fargo Compass Advisory	
Blue Chip	\$50,000
Value Investors	\$50,000
Managed DSIP	\$50,000
Conservative Growth	\$250,000
Moderate Growth	\$250,000
Long Term Growth	\$150,000
Conservative Growth and Income	\$250,000
Moderate Growth and Income	\$250,000
Long-Term Growth and Income	\$250,000
Conservative Income ETF	\$50,000
Conservative Growth & Income ETF	\$50,000
Conservative Growth ETF	\$50,000
Moderate Income ETF	\$50,000
Moderate Growth & Income ETF	\$50,000
Moderate Growth ETF	\$50,000
Long Term Income ETF	\$50,000
Long Term Growth & Income ETF	\$50,000
Long Term Growth	\$50,000
Taxable Fixed Income	\$250,000
Intermediate Taxable Fixed Income	\$250,000
Tax-Exempt Fixed Income	\$250,000

Allocation Advisors	
Strategic Portfolios	\$25,000
Tactical Portfolios - Cyclical	\$50,000
Customized Portfolios	\$2,000,000
Custom Choice	\$25,000
FundSource	\$25,000
Pathways	\$25,000

### **Types of Clients**

EKR provides the advisory services described in this brochure to individuals (other than high net worth individuals), High net worth individuals, pension or profit sharing plans, trusts, estates or charitable organizations, corporations or other business entities, governmental entities and educational institutions, as well as banks or thrift institutions.

## **ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION**

**WFA discretionary programs.** Clients will be provided with the applicable WFA Wrap Fee Brochure which describes WFA's process for portfolio manager selection and evaluation and WFA's process for classifying and selecting mutual funds. The applicable wrap fee brochure will also contain information on replacing portfolio managers and/or mutual funds and whether portfolio managers and/or mutual fund performance is reviewed or verified.

**Private Advisor Network.** EKR introduces clients to selected money managers from WFA's cleared managers list. Each manager on the "Cleared" list undergoes due diligence at the WFA firm level. EKR does not necessarily independently verify the information.

We monitor the performance of the selected adviser/manager(s), however, neither EKR nor a third party reviews performance information to determine or verify its accuracy or its compliance with presentation standards. If we determine that a particular selected adviser/manager(s) is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client profile information, we may suggest that the client contract with a different adviser/manager and/or program sponsor. Under this scenario, EKR assists the client in selecting a new adviser/manager(s) and/or program. However, any move to a new adviser/manager(s) and/or program is solely at the discretion of the client. EKR reserves the right to discontinue use of any adviser/ manager(s) that does not continue to meet EKR's overall service standard.

Clients will be provided with the adviser/manager's ADV Part 2 as well as the applicable Wells Fargo Advisors disclosure document. Please review these documents for a complete description of each program.

**Selection Criteria.** Programs, portfolio managers and money managers are selected by the client in participation with an EKR financial advisor. The individual client's investment advisory needs, as well as other objectives and risk tolerances are first reviewed with an EKR financial advisor. Based on the client's individual circumstances and needs (as exhibited in the client profile/investment policy) we will then perform

management searches of various advisers/managers to identify which adviser/manager's portfolio management style is appropriate for that client. The client then selects the appropriate program, adviser/manager and portfolio after a discussion of compatible investment philosophies. The comparative indices are selected by the client after discussion with the EKR financial advisor in light of client's investment objectives and manager's investment styles.

The Client's selection is communicated to each selected adviser/manager, who is also provided with appropriate Client profile information regarding the Client. The adviser/manager then creates and manages the client's portfolio based on the client's individual needs as exhibited in the account profile/investment policy. Advisers/managers will comply with reasonable restrictions given by the client. We are able to meet with clients on a regular basis, or as determined by the client, to review the account.

**Private Investment Management (PIM).** The Private Investment Management (PIM) Program is an all-inclusive wrap fee investment advisory service offered by EKR in which certain selected Financial Advisors, also known as PIM Portfolio Managers provide investment advisory and brokerage service to client accounts on a discretionary basis. PIM Portfolio Managers are qualified on the basis of investment advisory experience and/or brokerage experience, investment knowledge, and educational standards as required by EKR.

As a PIM manager, the financial advisor may receive a greater portion of the total management fee charged; as a result the financial advisor has a financial incentive to recommend the PIM Program. In eliminating transaction charges, however, a fee-based account removes the potential conflict of interest between the financial advisor and the client. As the assets in a client's account grow, both the client and the financial advisor benefit.

EKR evaluates, on an ongoing basis, PIM Portfolio Managers for continued adherence to EKRI's standards. PIM accounts are reviewed by Compliance upon the inception of the account when a client's investment objective and strategy is reviewed for approval and consistency with PIM program guidelines. Thereafter, PIM accounts are reviewed on a transaction, monthly, quarterly or annual basis, as applicable.

If for any reason the PIM Portfolio Manager is unable to perform on-going investment services in the account, EKRI shall continue to render such services under the PIM Program until a new Portfolio Manager is promptly assigned.

### **Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

In certain advisory programs, clients may have authorized the manager to vote proxies on their behalf. Please refer to the manager's ADV for a full disclosure of its proxy voting policies and procedures. Clients should contact their Financial Advisor if they have any questions and/or to obtain this information.

## **ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

You must complete an Account Profile with the assistance of their Financial Advisor. The Account Profile outlines your investment objectives, financial circumstances, risk tolerance and any restrictions you may wish to impose on your investment activities. Your financial advisor will contact you at least annually to update your Account Profile and indicate if there have been any changes in your financial situation, investment objectives or instructions. You agree to inform us in writing of any material change in your financial circumstances that might affect the manner in which your assets should be invested. Your

Financial Advisor will be reasonably available to you for consultation on these matters, and will act on any changes in your Profile deemed to be material or appropriate as soon as practical after we become aware of the change.

#### **ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Your contact for information and consultation regarding your program accounts is your Financial Advisor. In certain instances, your Financial Advisor may coordinate a response with the Portfolio Manager (if applicable) or arrange for you to consult directly with the Portfolio Manager.

#### **ITEM 9: ADDITIONAL INFORMATION**

##### Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

The following are disciplinary events relating to our firm and/or our management personnel:

2004: E.K. Riley Investments, LLC hired a registered representative for its broker-dealer in 2003. At that time, neither the firm nor the registered representative was registered in the State of Montana or the State of Illinois. One of the representative's clients who resided in Washington State was vacationing in Montana. The representative took 5 orders from the client while the client was vacationing in Montana exceeding Montana's de minimis exemption. The same representative took 5 orders from a client residing in Illinois believing that Illinois had a de minimis exemption. Illinois has no de minimis exemption for broker-dealers. In both cases the violation was found by E.K. Riley Investments, LLC. E.K. Riley Investments, LLC notified each State of the violation and established registration for the firm and the registered representative in both States. E.K. Riley Investments, LLC was fined \$2200 by the State of Montana; Illinois entered a Consent Order of Censure against E.K. Riley Investments, LLC. E.K. Riley Investments, LLC is currently registered in all 50 States.

2007: In 2005 E.K. Riley Investments was found by the NASD and the MSRB to have reported a substantial number of fixed income transaction executions outside of the required 15 minute window. For some of the transactions that were reported on time, some were input with incorrect execution times. Although E.K. Riley Investments denied any pattern of late transaction reporting, the matter was resolved in 2007 with an Acceptance, Waiver & Consent by E.K. Riley Investments, LLC and a fine of \$10,000 for Trace violations, \$10,000 for Municipal Trade Reporting violations and \$5000 for supervision violations. To prevent further late reporting, E.K. Riley Investments did and continues to do additional training on trade reporting. E.K. Riley also changed clearing firms as our previous clearing firm had difficulty reporting our trades in a timely fashion. E.K. Riley Investments, LLC has not had any regulatory issues since with fixed income trade reporting.

##### Other Financial Industry Activities and Affiliations

##### ***FIRM Registrations:***

In addition to EKR being a registered investment adviser, our firm is registered as a FINRA member broker-dealer. For clients who choose to use our advisory services, we will provide brokerage services in addition to advisory services. To the extent that we recommend investments that we then execute, we may receive direct compensation in addition to any advisory fees. As a result, E.K. Riley Investments has a financial incentive to recommend itself for brokerage services.



EKR is a licensed insurance agency ("Agency") and may offer insurance products to clients. E.K. Riley Investments may have a conflict of interest when recommending itself for insurance products as commissions on insurance products may be higher than advisory fees. We intend to make all recommendations independent of fee considerations and based solely on our obligation to consider client objectives and needs.

**MANAGEMENT PERSONNEL and FINANCIAL ADVISOR Registrations:**

Management personnel and Financial Advisors are separately licensed as registered representatives of EKR a FINRA member broker-dealer.

Financial Advisors that are licensed to sell insurance will earn commissions from sales to advisory clients. Insurance products are *excluded* from advisory accounts and are not charged advisory fees.

Clients should be aware that the receipt of additional compensation by EKR and its management persons or Financial Advisors creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. EKR endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our associates seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

**CLEARING ARRANGEMENT:**

EKR has entered into a brokerage clearing agreement with First Clearing, LLC (the "Clearing Agent") to execute and perform the clearance on a fully disclosed basis of all purchase and sale orders directed to it by EKR for the advisory programs selected by a client.

Within the terms of the clearing agreement between EKR and First Clearing, LLC, the Clearing Agent also performs for us such custodial functions, which, among other things, will include crediting of interest and dividends on account assets and crediting of principal on called or matured securities in the account, together with other custodial functions customarily performed with respect to securities brokerage accounts.

The Clearing Agent forwards EKR's confirmations and statements to clients. First Clearing, LLC or its agent will also perform cashiering and invoicing responsibilities with respect to the advisory programs, which includes the charging and collection of account fees and the processing, pursuant to our instructions, of deposits to and withdrawals from advisory program accounts.

The Clearing Agent provides E.K. Riley Investments with certain administrative, computer software and documentation services in order that we may provide the advisory program services. EKR compensates the Clearing Agent pursuant to a brokerage clearance fee schedule.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

EKR and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

EKR's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to alexis.vandenbos@ekriley.com, or by calling us at 206-832-1526.

EKR or individuals associated with our firm may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions to advisory clients.

EKR may, at times, effect an agency cross transaction for an advisory client, provided that the transaction is consistent with our firm's fiduciary duty to the client and that all requirements outlined in Sec. 206(3)-2 of the Investment Advisers Act of 1940 are met.

An agency cross transaction is a transaction where our firm acts as an investment adviser in relation to a transaction in which E.K. Riley Investments acts as broker for both the advisory client and for another person on the other side of the transaction.

EKR may, at times, effect an internal cross transaction for an advisory client, provided that the transaction is consistent with our firm's fiduciary duty to the client.

An internal cross transaction is a transaction between two advisory accounts of EKR. In an internal cross transaction, neither EKR, the financial advisor, nor any affiliate will receive any compensation, directly or indirectly, other the advisory fee. EKR will disclose to the client that the transaction is an internal cross transaction.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a fair and equitable basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases on a fair and equitable basis, with each account paying the average price. Our employee accounts will be excluded

from the allocation. Certain securities, such as small or illiquid issues of fixed income securities, often do not lend themselves to aggregation and allocation procedures. These securities may be purchased or sold in smaller lots depending on market conditions and allocated by the Financial Advisor to one or more clients based on client need, objective and risk tolerance.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
- We have established procedures for the maintenance of all required books and records.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to termination.

As disclosed above Financial Advisors of EKR are also registered as securities representatives of EKR. In addition Financial Advisors may also be licensed as an insurance agent/broker of various insurance companies. Please refer to Other Financial Industry Activities and Affiliations for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Review of Accounts**

### **REPORTS**

EKR relies on Wells Fargo Advisors and First Clearing, LLC to provide Clients with a periodic (generally provided quarterly) portfolio monitoring service. This monitoring service may include a statistical presentation of the performance of the Client's account(s), and ongoing comparisons of such performance with selected industry indices.

Normally, the periodic portfolio monitoring report is calculated based on the activity of the account since its inception in our Program. As an additional service, the report may include supplemental historical information as provided by the Client, the Client's previous custodian or investment advisor related to the Client's account when it was held outside of our Program. At the direction of the Client, where feasible this information will be incorporated into the consolidated periodic portfolio monitoring report.

Neither EKR, WFA, the Clearing Agent nor any third party will review or audit any of this supplemental historical information and do not in any way certify, guarantee, or provide any assurance as to the reliability of the information. In addition, we do not guarantee the accuracy of the calculations performed on such information nor offer any assurance that the portfolio monitoring report was calculated in accordance with accounting or industry standards. The additional time necessary to obtain, input, and report on the historical information may cause a delay in producing the portfolio monitoring reports for accounts new to our Program.

EKR does not review any performance information to determine or verify its accuracy or its compliance with presentation standards.

In addition, EKR, through the Clearing Agent, First Clearing, LLC will transmit to the Clients the following:

- (a) trade confirmations reflecting all transactions in securities; provided, however, that we may furnish periodic statements of account activity for Program-eligible assets in lieu of transaction-by-transaction confirmations to the extent and in the manner permitted by Rule 10b-10 under the Exchange Act; and
- (b) a statement of account activity at least quarterly.

## REVIEWS

Program services provided by our personnel and facilities include a review and monitoring of the client accounts. The Financial Advisor assists the client in evaluating the individual strategies to determine suitability. Ultimately, it is the client who chooses the most appropriate investment strategy. EKR relies on Wells Fargo Advisors and/or its agent to conduct reviews of affiliated advisers and their strategies, as appropriate, within the programs to ensure objective and consistent due diligence standards are applied to both affiliated and unaffiliated managers.

Upon the opening of each advisory account, the client's investment objectives and strategy are reviewed by Compliance for approval and consistency with Program guidelines. Thereafter, accounts are reviewed on a transaction, monthly, quarterly or annual basis, as applicable.

In addition to reviews that may be conducted by the Financial Advisor, the Financial Advisors' Branch Office Managers/Supervisors review account activity as it relates to their broker-dealer supervisory responsibilities. The Retail Transaction Supervisor will review daily trading activity in client accounts reviewing for suitability of transactions. Reviews may also be conducted by the Managed Assets Committee for adherence to the policies and procedures set by the committee. Where EKR's Financial Advisors have discretionary authority for a client account (PIM), Compliance will conduct additional reviews.

At least annually, our financial advisors will contact each client to determine whether there have been any changes in the client's financial situation, investment objectives or instructions. Clients are notified in writing at least quarterly on their account statement to inform us promptly of any material change that might affect their investment objectives, risk tolerances or financial situation or if they wish to impose or change any reasonable restrictions on the management of their account.

Clients agree to inform us in writing of any material change in their financial circumstances that might affect the manner in which the Client's assets should be invested. Those changes deemed material or appropriate will be acted upon by the client's Financial Advisor as soon as practicable after we become aware of the change. In addition, those responsible for making investment decisions for a Client will be reasonably available to the Client for consultation.

Each client has the ability to impose reasonable restrictions on the management of their account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. If the client's instructions are unreasonable or we (or, if applicable, an adviser) believe that the instructions are inappropriate for the client, we will notify the client that, unless

the instructions are modified, we may remove the client's account from the Program. A client will not be able to provide instructions that prohibit or restrict the investment advisor whose strategies include the use of an open-end or closed-end mutual fund or exchange traded funds, with respect to the purchase or sale of specific securities or types of securities within the funds.

#### **Client Referrals and Other Compensation**

It is EKR's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is EKR's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

#### **Financial Information**

EKR has no additional no financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

EKR has not been the subject of a bankruptcy petition at any time during the past ten years.