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**Part 2A of Form ADV: Firm Brochure June 2011**

This 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 March 2011:

- Effective May 2011, the fee structure has changed on all of the wrap fee programs. This change impacts new accounts opened after March 31, 2011 only. Client fees will not be increased for existing accounts without a new signed client agreement.
- E.K. Riley Investments, LLC's change of address.

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#### **ITEM 4: ADVISORY BUSINESS**

E.K. Riley Investments, LLC is registered both as a broker-dealer and as an SEC-registered investment adviser with its principal place of business located in Washington. Being registered as an investment adviser does not imply a certain level of skill or training. E.K. Riley Investments, LLC is also a licensed insurance agency and may offer insurance products to clients.

For clients who choose to use E.K. Riley Investments, LLC's advisory services, E.K. Riley Investments, LLC will provide brokerage services in addition to advisory services.

E.K. Riley Investments, LLC began conducting business in 2002 as a broker-dealer and began conducting business as a registered investment adviser in 2007.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

- Edward King Riley, CEO & Chairman
- E.K. Riley & Co., Inc., Parent Company

In addition, the following information identifies publicly held subsidiaries that indirectly own 25% or more of our firm:

- Edward King Riley, CEO & Chairman

E.K. Riley Investments, LLC offers the following advisory services to our clients:

#### **FINANCIAL PLANNING**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client in achieving his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion. Clients may choose to implement all or any part of the plan through E.K. Riley Investments, LLC or a broker-dealer of their choice.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## **CONSULTING SERVICES**

Clients can also receive investment advice on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client. Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature and are not required to be in writing.

## **WRAP FEE PROGRAMS**

E.K. Riley Investments, LLC has entered into an agreement with Wells Fargo Advisors to provide advisory and/or other services with respect to wrap fee programs. Clients of investment advisory accounts that participate in wrap programs are clients of E.K. Riley Investments, LLC. E.K. Riley Investments, LLC is not related to or affiliated with Wells Fargo Advisors or its affiliated custodian First Clearing, LLC. Unless otherwise specified, E.K. Riley Investments, LLC or First Clearing, LLC will maintain custody of client assets. 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.

### ***Wells Fargo Advisors Discretionary Wrap Fee Programs***

Wells Fargo Advisors provides advisory and other services to E.K. Riley Investments, LLC with respect to the following programs: Masters, Diversified Managed Allocations, Wells Fargo Compass Advisory, Allocation Advisors, FundSource and Pathways. Clients are able to select professional portfolio managers and/or professionally managed portfolios.

Programs, portfolio managers and money managers are selected by the client in participation with an E.K. Riley Investments, LLC's financial advisor. The individual client's investment advisory needs, as well as other objectives and risk tolerances are first reviewed with an E.K. Riley Investments, LLC 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 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.

We monitor the performance of the selected adviser/manager(s), however, neither E.K. Riley Investments, LLC 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, E.K. Riley Investments, LLC 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. E.K. Riley Investments, LLC reserves the right to discontinue use of any advisor/manager that does not continue to meet E.K. Riley Investments, LLC's overall service standard.

Clients will be provided with the adviser/manager's ADV Part 2, applicable Wells Fargo Advisors disclosure document as well as E.K. Riley Investments, LLC's Wrap Fee Brochure. Please review these documents for a complete description of each program.

### ***E.K. Riley Investments, LLC Sponsored Wrap Fee Programs***

Wells Fargo Advisors does not provide advisory services to E.K. Riley Investment, LLC with respect to Private Investment Management, Asset Advisor, Private Advisor Network and CustomChoice. While E.K. Riley Investments is the sponsor of these advisory programs, Wells Fargo Advisors provides certain non-advisory services which enable Introducing Firm to offer these programs.

#### ***INDIVIDUAL PORTFOLIO MANAGEMENT—Private Investment Management and Asset Adviser***

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual advisory needs of the client. After personal discussions with an E.K. Riley Investments, LLC financial advisor in which goals and objectives based on a client's particular circumstances are established, the client will complete a client profile/investment policy. Private Investment Management (PIM) clients, where the financial advisor/portfolio manager will have discretion, will also complete a personal financial statement. 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. We manage these advisory accounts on a discretionary (PIM) or non-discretionary basis (Asset Advisor). 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. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

***LIMITATIONS:*** As individuals of E.K. Riley Investments, LLC 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.

Clients will be provided with E.K. Riley Investments, LLC Wrap Fee Brochure. Please review this document for a complete description of each program.

### ***Private Advisor Network***

E.K. Riley Investments, LLC introduces clients to selected money managers from Well Fargo Advisor's cleared managers list. Each manager on the "Cleared" list undergoes due diligence at the Well Fargo Advisor firm level. E.K. Riley Investments, LLC does not necessarily independently verify the information.

Money managers are selected by the client in participation with an E.K. Riley Investments, LLC's financial advisor. The individual client's investment advisory needs, as well as other objectives and risk tolerances are first reviewed with an E.K. Riley Investments, LLC 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 adviser/manager and portfolio after a discussion of compatible investment philosophies. The comparative indices are selected by the client after discussion with the E.K. Riley Investments, LLC 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(s), who is also provided with appropriate client profile information regarding the client. The adviser/manager(s) 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.

We monitor the performance of the selected adviser/manager(s), however, neither E.K. Riley Investments, LLC 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, E.K. Riley Investments, LLC 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. E.K. Riley Investments, LLC 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 the program.

### ***CustomChoice***

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

We will comply with any reasonable instructions given by the Client when making recommendations for the Account. Clients have the option of accepting any of our recommendations, or selecting an alternative combination of funds. E.K. Riley Investments, LLC will implement client investment decisions, but will not have investment discretion over accounts, except for the limited discretion to rebalance an account's target asset allocation, if authorized to do so. Rebalancing an account may have tax consequences. Over time, as changes occur in the financial markets and/or the client's investment objectives and circumstances, we may recommend changes in the client's portfolio.

We are able to meet with clients on a regular basis, or as determined by the client, to review the account.

Clients will be provided with E.K. Riley Investments, LLC's Wrap Fee Brochure as well as the applicable Wells Fargo Advisors disclosure document. Please review these documents for a complete description of the program.

#### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2010, we were actively managing \$18,493,947 of clients' assets on a discretionary basis plus \$12,291,932 of clients' assets on a non-discretionary basis, and overseeing \$23,849,919 of clients' assets being managed by third party managers.

### **ITEM 5: FEES AND COMPENSATION**

#### **FINANCIAL PLANNING FEES**

E.K. Riley Investments, LLC's Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees are calculated and charged on an hourly basis, ranging from \$50 for administrative staff time to \$250 for an advisor's time per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.

In lieu of charging on an hourly basis, Financial Planning fees may be calculated and charged on a fixed fee basis, typically ranging from \$1,500 to \$4,000, depending on the specific arrangement reached with the client. We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$500 for work that will not be completed within six months. The balance is due upon completion of the plan.

***Fees Offset By Commissions:*** If a Financial Planning client executes recommended securities transactions through associated persons of our firm in their separate capacities as registered representatives of a broker dealer, these individuals will earn commissions which are separate and distinct from fees charged for advisory services. In some instances, depending on the size of the transaction, advisory fees will be discounted, at our discretion, for commissions earned. Commissions will not be credited towards future advisory fees.

***Financial Planning Fee Offset:*** E.K. Riley Investments, LLC reserves the discretion to reduce or waive the hourly fee and/or the minimum fixed fee if a financial planning client chooses to engage us for our Portfolio Management Services.

The client is billed for financial planning fees upon completion. If financial planning services are provided on an ongoing basis, then fees will be billed quarterly in arrears based on actual hours accrued.

#### **CONSULTING SERVICES FEES**

E.K. Riley Investments, LLC's Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting Services fees are calculated and charged on an hourly basis, ranging from \$50 to \$250 per hour. An estimate for the total hours is determined at the start of the advisory relationship.

The client is billed in arrears either upon completion or on a monthly basis as earned.

#### **WRAP FEES**

#### **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 E.K. Riley Investments, LLC'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—Equity and Balanced Accounts**

<b>Assets under Management</b>	<b>Minimum Fee (Manager Fee Included)</b>	<b>Maximum Fee (Manager Fee Included)</b>
First \$500,000	1.75%	2.75%
Next \$500,000	1.50%	2.50%
Next \$1,000,000	1.25%	2.00%
Over \$2,000,000	Negotiated	1.75%

**EKR Standard Fees for Masters Program—Fixed Income**

<b>Assets under Management</b>	<b>Minimum Fee (Manager Fee Included)</b>	<b>Maximum Fee (Manager Fee Included)</b>
First \$500,000	1.50%	1.50%
Next \$500,000	1.25%	1.25%
Next \$1,000,000	1.00%	1.00%
Over \$2,000,000	Negotiated	1.00%

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 is included in 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 E.K. Riley Investments, LLC'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>
First \$250,000	1.50%	2.75%
Next \$750,000	1.25%	2.50%
Next \$1,000,000	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 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**

Strategy	Fee
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 E.K. Riley Investments, LLC'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
First \$250,000	1.75%	2.50%
Next \$750,000	1.50%	2.00%
Over \$1,000,000	Negotiated	1.50%

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

Assets under Management	Minimum Fee	Maximum Fee
First \$250,000	1.25%	1.50%
Next \$750,000	1.00%	1.25%
Over \$1,000,000	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 E.K. Riley Investments, LLC'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—Tactical Portfolios

Assets under Management	Minimum Fee	Maximum Fee
First \$250,000	1.25%	2.50%
Next \$750,000	1.00%	2.00%
Next \$1,000,000	Negotiated	1.50%

### EKR Standard Fees for Allocation Advisors—Strategic Portfolios

Assets under Management	Minimum Fee	Maximum Fee
First \$250,000	1.25%	1.50%
Next \$750,000	1.00%	1.00%
Next \$1,000,000	Negotiated	0.75%

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 E.K. Riley Investments, LLC'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

Assets under Management	Minimum Fee	Maximum Fee
\$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 E.K. Riley Investments, LLC'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

Assets under Management	Minimum Fee	Maximum Fee
First \$250,000	1.25%	1.75%
Next \$750,000	1.00%	1.50%
Next \$1,000,000	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 E.K. Riley Investments, LLC'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

Assets under Management	Minimum Fee	Maximum Fee
First \$250,000	1.25%	1.75%
Next \$750,000	1.00%	1.50%
Next \$1,000,000	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.

## PRIVATE INVESTMENT MANAGEMENT ("PIM")

Listed below are E.K. Riley Investments, LLC'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>
First \$250,000	1.25%	2.75%
Next \$750,000	1.00%	2.50%
Next \$1,000,000	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**

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>
First \$250,000	1.25%	2.75%
Next \$750,000	1.00%	2.50%
Next \$1,000,000	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**

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>
First \$250,000	1.25%	2.00%
Next \$750,000	1.00%	1.75%
Excess Over \$1,000,000	Negotiated	1.50%

**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)
First \$250,000	1.00%	1.50%
Next \$750,000	0.75%	1.25%
Excess Over \$1,000,000	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 E.K. Riley Investments, LLC'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**

Listed below are E.K. Riley Investments, LLC'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>
First \$250,000	1.25%	1.75%
Next \$750,000	1.00%	1.50%
Over \$1,000,000	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 E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC 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. E.K. Riley Investments, LLC 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.

E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC 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). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

### ***Grandfathering of Minimum Account Requirements***

Pre-existing advisory clients are subject to E.K. Riley Investments, LLC'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 E.K. Riley Investments, LLC 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, E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC'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 E.K. Riley Investments, LLC's policy not to engage solicitors or to pay related or non-related persons for referring potential wrap program clients to our firm.

## **GENERAL INFORMATION**

### ***Termination of the Advisory Relationship***

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.

If a client agreement is canceled where services were being provided on a specific project for a fixed fee, you will be billed based on the number of actual hours accrued prior to the cancellation of the client agreement. The hourly rate will be based on the hourly rate agreed to in the client agreement.

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

Furthermore, as we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that do pay such fees because compensation we receive from these clients is more directly tied to the performance of their accounts.

E.K. Riley Investments, LLC does not charge performance-based fees.

#### **ITEM 7: TYPES OF CLIENTS**

E.K. Riley Investments, LLC provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans
- Trusts
- Estates
- Charitable organizations
- Corporations or other businesses not listed above
- Governmental Entities
- Educational Institutions
- Banks or Thrift Institutions

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our 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.

**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.

## INVESTMENT STRATEGIES

We use 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.

## ITEM 9: 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.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **FIRM Registrations**

In addition to E.K. Riley Investments, LLC 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.

E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC a FINRA member broker-dealer. As such, there may be a financial incentive to recommend one investment venue vs. another.

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 E.K. Riley Investments, LLC 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. E.K. Riley Investments, LLC 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:**

E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC for the advisory programs selected by a client.

Within the terms of the clearing agreement between E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC'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. E.K. Riley Investments, LLC compensates the Clearing Agent pursuant to a brokerage clearance fee schedule.

## **ITEM 11: 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.

E.K. Riley Investments, LLC 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.

E.K. Riley Investments, LLC'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](mailto:alexis.vandenbos@ekriley.com), or by calling us at 206-832-1526.

E.K. Riley Investments, LLC 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.

E.K. Riley Investments, LLC 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.

E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC. In an internal cross transaction, neither E.K. Riley Investments, LLC, the financial advisor, nor any affiliate will receive any compensation, directly or indirectly, other than the advisory fee. E.K. Riley Investments, LLC will disclose to the client that the transaction is an internal cross transaction. No cross transactions will occur in any employee benefit plans governed by ERISA.

The ability to effect a cross transaction between client accounts may be a conflict of interest for EKR and the financial advisor and present a conflicting division of loyalty because it provides EKR and the financial advisor with an opportunity to advantage one client over another.

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 in the preceding section of this Brochure (Item 10), Financial Advisors of E.K. Riley Investments, LLC are also registered as securities representatives of E.K. Riley Investments, LLC. In addition Financial Advisors and may also be licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **ITEM 12: BROKERAGE PRACTICES**

E.K. Riley Investments, LLC and First Clearing, LLC (the "Clearing Agent"), provide execution services in connection with E.K. Riley Investments, LLC's offering of these programs. As a general matter, we consider it appropriate to use our own or the Clearing Agent's execution services for the purchase and sale of securities involved in the program services. This recommendation is based on E.K. Riley Investments, LLC being dually

registered as both a broker-dealer and investment adviser. As a result there are a number of benefits to us, in particular the ability to access the systems and personnel with which we are familiar and the cost savings achieved by leveraging our existing resources.

E.K. Riley Investments, LLC opens all accounts through its broker-dealer except under very limited circumstances. On occasion, E.K. Riley Investments, LLC, Wells Fargo Advisors, the third party adviser/manager, or clients may designate other brokers. There may be legal requirements that dictate the use of other brokers. Costs and transaction fees as a result of using another broker-dealer will be separately borne by the client. We will not assume responsibility for obtaining the best prices or any particular commission rates for transactions with or through another broker for client accounts. While we allow clients to suggest use of other brokerage firms to custody their accounts, we strongly suggest our broker-dealer and may choose not to manage the account if it is required to go to an outside custodian.

We have evaluated our broker-dealer commissions and believe them to be reasonable and competitive with those charged by other full-service brokers. In addition we have negotiated low, ticket-charge-based fees for E.K. Riley Investment clients holding brokerage accounts with us. We believe this to be a significant advantage to our clients.

E.K. Riley Investments, LLC does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

E.K. Riley Investments, LLC may, but is not obligated to aggregate trades for more than one client with transactions in the same securities at the same time. We will generally block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a fair and equitable basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. E.K. Riley Investments, LLC's block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with E.K. Riley Investments, LLC, or our firm's order allocation policy.
2. The Financial Advisor must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The Financial Advisor must reasonably believe that the order aggregation will benefit, and will enable E.K. Riley Investments, LLC to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a fair and equitable manner among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to the allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a fair and equitable basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
8. 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.
9. For sale transactions, allocations may be given to accounts in need of cash.
10. To allocate on a fair and equitable basis we will generally allocate as follows:



- Random or proportional (pro-rated) allocation made based on a number of factors such as account suitability, cash available, size of the portfolio and other factors.
11. No client or account will be favored over another.

### **Trade Errors**

E.K. Riley Investments, LLC has the responsibility to execute orders correctly, promptly and in the best interest of its clients. In the event an error occurs in the handling of a trade due to E.K. Riley Investments, LLC's or an associates action or inaction, E.K. Riley Investments, LLC will seek to promptly identify and correct such error without disadvantaging the client or clients involved.

## **ITEM 13: REVIEWS OF ACCOUNTS**

### **REPORTS**

E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC, Wells Fargo Advisors, First Clearing 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.

E.K. Riley Investments, LLC does not review any performance information to determine or verify its accuracy or its compliance with presentation standards.

In addition, E.K. Riley Investments, LLC 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. E.K. Riley Investments, LLC 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 E.K. Riley Investments, LLC'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.

## **FINANCIAL PLANNING SERVICES**

### **REPORTS**

Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

### **REVIEWS**

While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

## **CONSULTING SERVICES**

### **REPORTS**

Consulting Services clients will not typically receive reports due to the nature of the service.

### **REVIEWS**

While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

It is E.K. Riley Investments, LLC's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is E.K. Riley Investments, LLC'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.

#### **ITEM 15: CUSTODY**

First Clearing, LLC (the "Clearing Agent") or its agent generally maintains, in an E.K. Riley Investments, LLC account, custody of all account assets. E.K. Riley Investments, LLC may have temporary custody of client funds or securities by accepting funds or securities directly from clients. All funds or securities received from clients are immediately forwarded to the Clearing Agent.

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. Clients expressly authorize the Clearing Agent or its agent to debit fees of E.K. Riley Investments, LLC, Wells Fargo Advisors, Clearing Agent and any applicable investment adviser/manager(s).

On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because neither E.K. Riley Investments, LLC nor the Clearing Agent/custodian calculates the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

#### **ITEM 16: INVESTMENT DISCRETION**

Clients may hire us to provide discretionary advisory services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

#### **ITEM 17: 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.

If you represent an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, ("ERISA") as amended or Section 4975 of the Internal Revenue Code (ERISA Client"), please note that E.K. Riley Investments is expressly precluded from taking any action or rendering any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in an ERISA Plan's Account.

Also, neither E.K. Riley Investments nor its Financial Advisors will advise or act on your behalf in legal proceedings involving companies whose securities are held or previously were held in your Account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements.

#### **ITEM 18: FINANCIAL INFORMATION**

E.K. Riley Investments, LLC 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.

E.K. Riley Investments, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.