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November 19th, 2018

### **B Riley Wealth Advisors**

This Brochure provides information about the qualifications and business practices of B Riley Wealth Management, Inc. (B Riley Wealth Management) or (the Firm) with respect to the investment advisory services offered by B Riley Wealth Advisors, a division of the Firm, and by Michael Kramer, investment adviser representative of the Firm. These services are referred to throughout this Brochure as the B Riley Wealth Advisors Services. For all investment advisory services provided by the Firm other than the B Riley Wealth Advisors Services, please refer to the Firm's separate brochure for such advisory services.

If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer – Investment Advisory Services, Nolan Hughes, at (901) 251-1367 or [nhughes@brileywealth.com](mailto:nhughes@brileywealth.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about B Riley Wealth Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the Firm who are registered, or are required to be registered, as investment adviser representatives. You can search this site for information about the Firm by searching for a unique identifying number, known as a CRD number. The CRD number for B Riley Wealth Management, Inc. is 2543. Registration with the SEC does not imply a certain level of skill or expertise.

## **Item 2 – Material Changes**

This Brochure has been prepared for prospective clients and clients of the Firm who desire to obtain B Riley Wealth Advisors Services from the Firm (Clients).

In the future, when we make material changes to this Brochure, this Item 2 will explain material changes that you should be aware of as a current or prospective Client of our advisory services. Each year you will receive either a summary of material changes that were made to the Brochure over the previous year or an updated Brochure. You can always request a full copy of any of our current disclosure brochures by contacting Nolan Hughes, Chief Compliance Officer – Investment Advisory Services, at (901) 251-1367 or [nhughes@brileywealth.com](mailto:nhughes@brileywealth.com).

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## Item 4 – Advisory Business

### About Us

We place our Clients and investment adviser representatives (Representatives) as partners in the center of every decision we make as a firm. We develop our products, services and technologies to allow our Representatives to provide the highest quality service in the industry to Clients.

Established in 1996, the Firm is a full-service brokerage firm based in Memphis, Tennessee. In 2001, the Firm expanded its business to include investment advisory services. As a dually registered financial services firm, and including services provided through its affiliation with B. Riley Financial, the Firm caters to individual and institutional clients with financial advisory and brokerage services. Equity research and investment banking services are offered through the firm's affiliate B Riley/FBR. In June 2018 the Firm changed its legal name to B Riley Wealth Management, Inc., formerly Wunderlich Securities, Inc.

B Riley Wealth Management is owned by Wunderlich Investment Company, Inc. ("WIC"). WIC is a wholly owned subsidiary of B. Riley Financial, Inc.

### Firm Highlights (as of 9/30/2018)

- Offices in 12 states
- \$2 Billion in advisory client assets
- Approximately 300 financial professionals

### Dual Registration

B Riley Wealth Management is registered with the SEC as an investment adviser, and the Firm's Representatives are registered under applicable state law to provide investment advisory services on the Firm's behalf.

The Firm is also registered with the SEC and many States as a broker-dealer, and is a member of the Financial Industry Regulatory Authority (FINRA). The Representatives are also registered with FINRA, and where required by applicable State law, as registered representatives of the Firm and are authorized to provide brokerage services on behalf of the Firm.

When acting as an investment adviser, the Firm is a fiduciary for its Clients. As a fiduciary, the Firm must, among other duties, act in the Clients' best interests, place the Clients' interests ahead of its own, and make full and fair disclosure of all material facts, particularly conflicts of interest.

When acting as a broker-dealer, the Firm must observe high standards of commercial honor, and just and equitable principles of trade, and must have reasonable grounds for believing its recommendations are suitable for the customers, among other duties. However, our obligation to disclose to brokerage customers information about our business, conflicts of interest, compensation, and other matters is more limited than our corresponding obligations to our advisory Clients.

When a person (which may be an individual or a legal entity) establishes multiple accounts, or receives multiple services from us, each account or service will be governed by the laws and regulations applicable to that specific type of account or service, which may differ considerably from account to account, or service to service. Therefore, it is important for Clients and prospective Clients to understand which services the Firm provides as an investment adviser and which it provides as a broker-dealer.

### Advisory Services

B Riley Wealth Management provides a number of advisory services for its Clients. This Brochure only describes the B Riley Wealth Advisors Services. For all other advisory services offered by the Firm, please refer to the Firm's separate Brochure that describes such services.

### Consulting Services

Michael Kramer, a Representative, provides individual financial consulting on the behalf of the Firm. The terms and conditions of the arrangement and the fees to be charged will be negotiated on a case-by-case basis.

Typically, the consult will involve one or more meetings to discuss specific, limited issues or questions regarding your portfolio or investments. The consulting services may

encompass a wide variety of issues and topics, which may include investment recommendations. Investment consultation can be general in nature or may focus on particular areas of interest, depending on the Client's needs. Advice and/or recommendations are based on information provided by the Client, which the Firm relies upon, and does not independently verify. Advice and/or services provided to Clients may be limited in scope. Consulting services are offered on an hourly or fixed fee project basis. The advice given may include the recommendation of annual reviews/updates, although it is the Client's responsibility to initiate additional services as may be needed.

The Client has sole responsibility for determining whether to implement any recommendations made during any personal consultation. The Client may, but is not required to, implement any of these recommendations through the Firm as investment adviser or as broker-dealer. If the Client chooses to use the Firm to implement any recommendations, those activities are separate and distinct from the financial consulting services provided by the Firm under the applicable consulting services agreement and will involve separate fees.

You are not required to execute any transactions recommended by Representative through the Firm, and you may execute all given recommendations through any broker-dealer or other financial institution you choose. There is no assurance that another institution will be willing or able to do so.

### **Asset Management Services**

After considering your objectives and tolerance for risk, your financial resources and your time horizon (Suitability Information), Representative will create a customized portfolio recommendation designed to achieve your stated objectives using strategies consistent with your financial circumstances. Representative will consider your specific desires and restrictions when forming your portfolio; consequently, your investment strategy can and often will differ significantly from other Firm clients. The Firm will supervise, and Representative will manage your advisory assets on a continuous basis. You and Representative will review your objectives and the performance of your account at least annually.

If any material changes occur in your personal or financial situation, investment objectives, tolerance for risk or volatility, liquidity needs, or investment time horizon, then you should contact Representative or the Firm right away. Your Representative will evaluate the potential impact such changes may have on your account, and identify other means to achieve your goals.

Your Representative can provide you with recommendations about any or all the following securities:

- domestic stock (exchange listed & OTC)
- foreign stock (exchange listed & OTC)
- corporate bonds
- municipal bonds
- US government bonds
- certificates of deposit
- money market funds
- mutual funds (no-load or load waived)
- certain exchange traded funds (ETFs)
- closed-end funds (UIT, REIT)
- limited partnerships
- options on securities

The Firm does not provide advice about commodities, futures contracts, or options on commodities or futures contracts.

The Firm will only provide continuous and regular supervision of certain assets defined by the advisory agreement as "Managed Assets." The securities that qualify as Managed Assets vary so you should consult the account agreement to determine the specific list of Managed Assets. Your brokerage account may hold both Managed Assets and Non-Managed Assets. The Firm will only provide advisory services for Managed Assets and is not responsible for managing Non-Managed Assets. The Firm will only charge a management fee for Managed Assets.

## Assets Under Management

As of September 30, 2018, B Riley Wealth Management has the following amount of assets under management in all advisory programs:

Discretionary .....	\$1,359,134,133
Non-Discretionary .....	\$679,975,853
Total .....	\$2,039,109,986

## Item 5 – Fees & Compensation

### Types of Fees

Fees paid to the Firm by Clients are negotiable and will vary. Fees will be set forth in the Firm's investment advisory agreement with each Client, and determined based on the Client's needs, the complexity of the Client's investment objective, and the number of portfolio restrictions.

Under the Firm's investment advisory agreement for asset management, the Firm may receive an annual management fee from the Client equal to a percentage, typically between 0.3% and 2%, of the fair market value of the Managed Assets in the account.

In some instances, the account agreement will provide that the asset management fee includes any charges for broker-dealer commissions if the Firm is used to execute transactions and any custody fees if the Client uses a particular custodian. In other instances, the Firm and a Client may agree that the Firm is entitled to separate commissions for execution of transactions in its capacity as a broker-dealer, and the Client will be responsible for any commissions or custody fees charged by a third party broker-dealer or custodian. See "*Item 5 - Other Fees and Expenses*" for additional discussion of these separate charges.

Under the Firm's investment advisory agreement for consulting services, the Firm may receive a fixed or hourly fee for the services provided.

### Payment Method

The fee for asset management services will typically be charged and collected either every month or every quarter in advance on all Managed Assets in each account.

The following is an example of how to calculate quarterly fees for a \$1,000,000 account with an annual fee of 1.20%:

Valuation Date	Total Account Value	1.20% Fee	Quarterly Fee - \$
December 31	\$1,000,000	0.3%	\$3,000
March 1	\$980,000	0.3%	\$2,940
June 30	\$995,000	0.3%	\$2,985
September 30	\$1,075,000	0.3%	\$3,225

The fee for consulting services may be charged in advance, on a periodic basis, or upon the completion of the services to be provided, as negotiated and agreed upon in the consulting services agreement with a Client.

The Firm may offer significantly lower fee arrangements for friends, relatives, or others with whom the Firm or Representative has established personal or family relationships.

The actual amount of the fee and the method for calculating the fee for each account is described in the account agreement.

### Other Fees and Expenses

The Firm and Client may enter into an agreement in which the fees for asset management services include commissions otherwise payable to the Firm to execute transactions as a broker-dealer and fees otherwise owed to maintain custody of assets by the custodian utilized by the Firm. Except for those particular agreements in which the Firm has expressly agreed to incur the costs associated with execution of transactions and custody fees, a Client is responsible for any fees, expenses or charges incurred by or on behalf of the account related to (i) custodial services provided for the account, (ii) transactions effected for the account, including brokerage

and execution charges, markups and commissions, including the Firm's charges when acting as a broker-dealer for the account, and (iii) any other service provided for the account by any person other than the Firm ("Additional Fees"). Please see the discussion below in "Item 12. Brokerage Practices" for a description of brokerage and execution charges.

If a Client who engages the Firm to provide consulting services chooses to execute any transactions recommended by the Firm through the Firm, the Firm will receive additional compensation.

The fee for asset management services does not cover amounts charged for any of the following (Excluded Items): internal fees or expenses which may be associated with the account's investments (including without limitation, internal operating or investment expenses of mutual funds, unit investment trusts, or electronically traded funds); fees imposed by mutual funds for short-term trading (typically 1% - 2% of the amount originally invested) for redemptions made within short periods of time; any mark-up, mark-down, or dealer spread (whether to the Firm, Custodian or other broker-dealers) related to any account investment; offering discounts and related fees in connection with underwritten public offerings of securities (of which the Firm, our affiliates or Custodian may be underwriters); costs to third parties for transactions not executed through Custodian; floor brokerage or exchange fees; fees for wire transfers; costs for exchanging currencies; margin interest; interest for non-purpose loans with the account(s) used as collateral; taxes; postage and handling fees; or other expenses incurred with respect to any investments made for the account. All the Excluded Expenses will be direct or indirect expenses borne by the account and will be in addition to the fees paid for asset management services.

You will also be responsible for any other fees and charges described in the advisory agreement, as well as any fees charged pursuant to the agreement with a sub-adviser, if any, and any other applicable fees or charges described in this Brochure or in any agreement with the custodian or other third parties.

The Firm will utilize mutual fund share classes not containing 12b-1 distribution fees for its portfolio allocations. If the Client elects to hold

such positions moved to the Firm and placed into the custodial account, such positions will be maintained only as non-managed assets and will not be assessed a management fee. This excludes certain money market funds utilized by the Custodian. These funds may pay distribution fees; however, these fees are not included as compensation to the Representative.

You should consider all fees and expenses to fully understand the total amount of fees and expenses to be paid by the account and to evaluate the advisory services being provided. The fees and expenses related to Money Market Funds or Mutual Funds or ETFs are disclosed in their respective prospectuses. When you choose to receive advisory services from us, you acknowledge that you could purchase Money Market Funds or Mutual Funds or ETF's directly without paying the advisory fee.

### **Conflicts Relating to Additional Fees**

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All or a portion of the Additional Fees may be paid to the Firm and/or a Representative to the extent that the Client's brokerage account is maintained at the Firm. If a Client directs brokerage to the Firm, the Client will pay commissions and fees to the Firm. The fee that a Client pays to the Firm for advisory services will not be reduced by any fees that are paid to the Firm or another third party for broker-dealer or other services.

The Firm or its affiliates, such as B. Riley FBR, may receive distribution or service fees from the sale of certain mutual funds (including money market funds) pursuant to a Rule 12b-1 distribution plan or other such plan, as compensation for distribution or administrative services and are distributed from the fund's total assets. In addition, the Firm and its affiliates may receive compensation in connection with cash held in the brokerage account. For example, the Firm receives compensation from the custodian based on the value of credit balances in the accounts. In addition, if cash is swept into a money market fund or bank deposit sweep program, the Firm receives compensation based on the value of assets in these funds/programs as a broker-dealer. The Firm may receive some or all of these revenues. Thus, Representatives have an incentive to recommend that the Client selects a money market fund or bank deposit sweep program that



pays more compensation to the Firm than other funds. As described above, Representatives, as well as registered representative of the Firm, will generally receive more compensation if brokerage is executed at the Firm rather than being directed to another broker-dealer. Therefore, Representatives have an incentive to recommend investment products based on the compensation they receive rather than on a Client's needs. Clients have the option to direct brokerage to a broker-dealer that is not related to the Firm. The Firm has policies and procedures in place to ensure that each security recommended to a Client is consistent with such Client's investment goals.

In addition, Clients may purchase securities through broker-dealers in initial public offerings ("IPO") and/or secondary offering ("new issue") transactions. If the Firm or an affiliate acts as an underwriter or manager or as a member of the selling group for such offerings, it will receive compensation equal to either all or a portion of the "gross spread" (i.e., the difference between the price the Client pays for the security and the price at which the Firm or its affiliate purchased the securities). The advisory fee is not reduced to offset this compensation. The amount of the gross spread is described in the relevant prospectus, offering circular or official statement related to each IPO. Further details of potential additional compensation to Representatives are discussed below in "*Item 12 - Brokerage Practices.*"

Representatives generally manage multiple portfolios for various Clients. When a Representative manages more than one Client account, a potential conflict exists for the Representative to intentionally or unintentionally treat one account more favorably than another. This potential conflict can be most apparent when one portfolio has a higher fee or a different fee structure than another portfolio. Another potential conflict may arise if the Firm manages accounts of its principals and employees on a side-by-side basis with third-party Client accounts. The Firm has internal review policies and oversight to ensure that no one Client is intentionally or unintentionally favored at the expense of another.

## Compensation to the Firm and Representatives

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B Riley Wealth Management will receive the fees paid by the Client for advisory services. It will share this compensation with Representative according to the Firm separate agreement with Representative. It is possible that the amount of compensation received, directly or indirectly, by the Firm or Representative for its services and recommendations may be more than the amount of compensation the Firm or Representative would receive if they made alternative recommendations.

Unless specifically excluded by the terms of the agreement with a Client, account balances in the Money Market Funds are included as part of the value of the account. Consequently, any asset-based fees owed under the advisory agreement will be based, in part, on the balances in these investments. In addition, Custodian may serve as adviser, sub-adviser, distributor, or administrator to the Money Market Funds and receive compensation for those services. The Money Market Funds may also pay shareholder servicing, shareholder communication, sub-accounting, and 12b-1 fees and charges to Custodian, as well as fees for the execution of purchases of fund shares, or for trade clearance, settlement, custodial or other functions ancillary thereto. These fees and charges are expenses of the Money Market Funds, which you will bear, indirectly, as a fund shareholder.

The Firm proportionate share of this compensation will increase as the aggregate balances in the Money Market Funds or other depository products increase. Consequently, the possibility of this compensation creates an incentive for the Firm to make decisions for the account which would have the effect of increasing this compensation.

If an account is used as collateral for a non-purpose loan (securities based lending), the Firm and Representative may receive a portion of the interest paid on outstanding loan balances as a referral fee from the participating lender. This fee can range up to 1.00% of the interest stated on the lender's agreement. The possibility of compensation creates an incentive for the Firm to refer these services for the account which would have the effect of increasing this compensation.

The Firm and Custodian are permitted to route client orders for over-the-counter and listed equity securities to selected market makers or centers for execution. Both may receive compensation in the form of a per-share cash payment for directing order flow to these market makers or centers.

### **General Fee Practices**

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Transactions that have not settled prior to the last trading day of a calendar quarter may be included in either the current or the following calendar quarter, as determined by the Firm on a consistent basis. Fees are not charged based on a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

Unless otherwise provided in the advisory agreement, the Firm will calculate the advisory fee on a 365-day year so that the amount payable each quarter will be based on the actual number of calendar days in that quarter. If you terminate your account prior to the end of any quarter, you will receive a pro-rated refund, if any, of advisory fees paid in advance.

Unless otherwise limited by the custodian or an agreement with a sub-adviser, and subject to usual and customary securities settlement procedures, you may make additions or withdrawals from your account at any time. No fee adjustment will be made for appreciation or depreciation in the value of any account during any fee calculation period. Unless expressly provided in the advisory agreement, no refund or other adjustment of a fee already paid will be made because of a decline in the value of the account (whether due to market losses or withdrawals); provided, in the event the advisory agreement is terminated within 5 days after execution, all advisory fees will be refunded, as provided in the advisory agreement.

The advisory agreement will direct the Custodian to pay the advisory fees as instructed by the Firm or a sub-adviser without prior notice to you and without your consent. All account assets, transactions, and advisory fees will be

shown on the monthly or quarterly account statements provided by the Custodian.

### **Conflicts of Interest Relating to Affiliates**

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The Firm does not create or promote proprietary products. The Firm does not own or manage mutual funds, exchange traded funds (ETFs), annuities or insurance products. However, through common ownership by B. Riley Financial, Inc., the Firm will have access to proprietary products offered by an affiliate, including the B Riley Diversified Equity Fund and the MKCO Opportunity Fund of Funds. This affiliate, B Riley Asset Management, as the fund adviser to these funds, receives the full investment management fees on these funds, as well as trading revenues. For these products, the Firm will not impose quotas to sell these products or offer any differential compensation to its Representatives which may influence a recommendation in favor of these proprietary products. However, Representative Michael Kramer is a portfolio manager of the MKCO opportunity Fund of Funds. Representative is responsible for picking the investments in this fund and with the overall operations of this fund. As a result, Representative has an inherent conflict in recommending that an investor invest in this fund.

### **Conflicts of Interest - Profit Incentive**

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Please note that the amounts charged to your account for services, fees, expenses, or costs that the Firm has performed, incurred, advanced, or paid on the account's behalf (whether billed to you, the account, or the Firm) will include a reasonable profit, unless prohibited under the advisory agreement or applicable laws, regulations, or rules.

The existence of this profit creates a conflict of interest that could influence the Firm to recommend opening or maintaining accounts that may have higher costs or less favorable services than other suitable alternatives which do not provide equivalent compensation to the Firm or the Representative.

## Item 6 – Performance Based Fees and Side by Side Management

The Firm does not charge or accept performance-based fees. Consequently; it does not have a conflict of interest with Side by Side Management, which involves favoring those accounts with performance-based fees over those without such fees. The Firm cannot increase its compensation by generating higher returns in certain accounts. We, therefore, do not have an incentive to manage certain accounts differently than others on this basis.

## Item 7 – Types of Clients

The Firm provides investment advisory services to individuals, high net worth individuals, pension plans, wrap programs, trusts, estates, charitable organizations, corporations, and other business entities.

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

### Methods of Analysis

Representative may utilize or rely on financial newspapers and magazines, corporate rating services such as Morningstar, annual reports, prospectuses and press releases, research reports and analysis of performance provided by Custodian, the Firm, or other third parties, and publicly available research and reports.

### Investment Strategies

As a firm, B Riley Wealth Management does not establish and follow any investment strategy. Each Representative may determine the strategies and products to be used to achieve the objectives of the account. Subject to the advisory agreement, or as otherwise provided in this Brochure or in any disclosure document, the chosen strategies may include, among others, long-term purchases, short-term purchases, day-trading (securities bought and sold within 30 days), short sales, margin transactions, or option transactions or strategies. Each Representative may choose to use any one or more of these or other strategies.

If a sub-adviser or other investment manager is engaged to provide services, the sub-adviser or investment manager will determine the strategies and investments to be used with respect to any account it manages.

### Risk of Loss

***You should understand that past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable.*** Investing in securities (i.e. stocks, mutual funds, bonds, etc.) involves risk of loss. Furthermore, depending on the different types of investments, there may be varying degrees of risk. You should be prepared to bear investment loss including the loss of your original principal.

Because of the inherent risk of loss associated with investing, the Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

## Item 9 – Disciplinary Information

### Advisory Related Actions

On May 27, 2011, in accordance with an offer of settlement made by the Firm, the SEC entered an order finding that, since at least 2007 through 2009, the Firm collected undisclosed commissions, transaction charges and expenses from its wrap fee clients; failed to provide the required written disclosure and obtain the

required consent on at least 3,000 principal trades; and failed to adopt, maintain and enforce a written compliance manual and code of ethics. The Firm voluntarily reimbursed its wrap fee clients all the excess commissions and charges - \$120,835. The Firm also voluntarily reimbursed the asset management fees associated with those overcharged transactions - \$47,418. In addition, pursuant to the order, the Firm agreed to

disgorge the mark-up, mark-down and commission amounts associated with the improperly managed principal transactions to the affected parties - \$369,336.15. The Firm has also updated its compliance manual and code of ethics. For these violations, the Firm, the Firm's CEO, Gary Wunderlich, and the Firm's CCO, Tracy Wiswall, agreed to cease and desist orders, censures, undertakings and fines of \$125,000, \$45,000, and \$50,000, respectively.

### **Broker-Dealer Related Actions**

In our capacity as a broker-dealer, and regarding matters unrelated to our investment advisory business:

- On October 26, 2015, the Firm consented to a censure and fine of \$50,000 by FINRA. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain and enforce an adequate supervisory system and written procedures regarding the preparation and dissemination of consolidated reports. Findings stated that although the firm's written supervisory procedures expressly permitted the preparation and dissemination of consolidated reports, they did not adequately address how the firm would supervise the use of nor how to ensure the accuracy of valuation information provided by the registered representative or mandate the inclusion of specific disclosures regarding the source and accuracy of such valuation information. Findings further stated the firm failed to ensure supervisory review of reports were performed and documented by the applicable supervisor and readily available for review by the Firm or regulatory authorities. The findings also stated the Firm failed to establish, maintain and enforce an adequate supervisory system and written procedures for the supervision and sale of nontraditional exchange-traded funds (ETFs). Although the Firm permitted its Representatives to recommend the ETFs, the Firm's WSPs did not adequately address the characteristics and risks associated with them. In addition, the Firm did not utilize an effective system or report to enable its supervisors to identify instances where a customer might be holding an ETF position for an extended period. The Firm also failed to provide formal training to its Representatives and supervisors regarding

the unique characteristics and risks of such ETFs.

- On June 24, 2014, the Firm consented to a censure and fine of \$108,343 by FINRA. Without admitting or denying the allegations, the Firm consented to the sanction and entry of findings that the Firm facilitated the sale of unregistered shares in the equity securities of two issuers, implemented inadequate supervisory systems to identify such activity and deficient supervisory and compliance procedures regarding the issue. The Firm failed to provide adequate training to the designated supervisors on how to assess the availability of an exemption from registration. Additionally, Stephen J. Bonnema, as the Firm's AML Compliance Officer, violated NASD and FINRA Conduct Rules related to the condition of the AML Compliance program. As a result, Mr. Bonnema was suspended from association with any FINRA firm in a principal capacity for ten (10) days and assessed a fine of \$5000.
- On April 16, 2013, the Firm agreed to the imposition of a penalty of \$10,000 by the New York State Department of Financial Services. the Firm waived its right to notice and a hearing on the charges that the Firm failed to disclose that it was under an SEC order as described in the Advisory Related Actions section above, provided incorrect and untrue information in a renewal application for an insurance agent's license, and failed to report that the Firm was censured and ordered to pay a fine to the Illinois Secretary of State and the District of Columbia Department of Insurance.
- On November 13, 2012, the Firm consented to a censure and fine of \$7,500 by FINRA. Without admitting or denying the allegations, the Firm consented to the sanction and the entry of findings that the Firm failed to report to TRACE the correct contra-party's identifier for transactions in trace eligible securities and failed to report to TRACE transactions in trace-eligible securities that it was required to report.
- On October 19, 2012, the Firm consented to a censure and fine of \$36,500 by FINRA. Without admitting or denying the allegations, the Firm consented to the sanction and the entry of findings that the Firm failed to accurately disclose information regarding purchase and sale

transactions effected in municipal securities to the RTRS, failed to accurately disclose the yield-to-worst to customers on trade confirmations, failed to report the correct yield to the RTRS. In addition, the Firm consented to the entry of findings that the Firm's supervisory systems did not provide for supervision reasonably designed to achieve compliance with MSRB rules concerning MSRB Rule G-15, failed to report to TRACE transactions in trace-eligible securities within 15 minutes of the execution time, failed to accurately report to TRACE the date of execution and the accurate execution time in some trades, and failed to report to TRACE the accurate market identifier for one transaction.

- On October 25, 2011, the Firm consented to a censure and fine of \$50,000 by FINRA. Without admitting or denying the allegations, the Firm consented to the sanction and the entry of findings that the Firm failed to supervise the personal trading of research analysts who maintained accounts at other securities firms, where discretionary trading authority had been given to a third-party manager or advisor over the account. In addition, the Firm consented to the entry of findings that it issued research reports, conducted two public appearances and posted rating on the Firm website that failed to comply with FINRA disclosure requirements.

## Item 10 – Other Financial Industry Activities and Affiliations

### Other Activities

B Riley Wealth Management, Inc. (the Firm) is a broker-dealer as well as a Registered Investment Adviser. Its principal executive officers and most of its Representatives are registered as both registered representatives and investment adviser representatives. You are under no obligation to engage the Firm as a broker-dealer or an investment adviser, to effect securities transactions, or to purchase any other products from or through the Firm or any of the Representatives acting on its behalf.

Subject always to the Firm's duty and policy to obtain the best execution of its Clients' transactions, the Firm intends to act as the Introducing Broker for most transactions. Further, the Firm may make a market in the securities in which the Firm recommends one or more of its Clients should invest. In executing trades for a Client, unless the account agreement provides otherwise, the Firm may charge the Client customary brokerage commissions or markups, fees and expenses in connection with the transaction. Consequently, the Firm will share in a portion of the revenues normally and customarily generated by a broker-dealer from the securities transactions of the Clients. In relation to these activities, certain employees of the Firm are registered representatives of the Firm. These registered representatives may receive payment related to the execution of those trades.

Certain Firm employees provide accounting services and insurance products. In these cases,

the services are provided through independent accounting firms or insurance agencies that have been established by the employee and are independent of the Firm. You have no obligation to accept such services.

The Firm or its Representative may also be engaged to provide third-party fiduciary or related advisory services outside a traditional wrap fee arrangement. In this case, additional fees for these related services will be detailed under a separate agreement and shared between the Firm and the Representative providing such services. You have no obligation to accept such services.

Please refer to the *Conflicts of Interest* sections in Item 5 for further information with respect to compensation and conflicts of interest involving the Firm and Representative. Although the Firm and Representative will endeavor to place your interests first, the conflicts of interest described in this Brochure can influence the recommendations made or actions taken regarding your account.

The Firm and Representative will devote as much time as they believe necessary to help you achieve your investment objectives. They will not devote all or any specific portion of their working time to your affairs, and they may devote a portion of their time to other matters. Further, the Firm and its affiliates as well as

Representative may organize or become involved with other clients or in other business ventures, including other investment-related businesses. Such other businesses and the clients of such

businesses may compete for the time and attention of the Firm principal executive officers and Representatives, and possibly, for limited investment opportunities, all of which can create conflicts of interest.

### **Other Affiliations**

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The advisory service of asset management almost always involves the use of a brokerage account. Being dually registered, B Riley Wealth Management (the Firm) can offer both the services of an adviser and the order entry capabilities of a broker.

As discussed in Item 4 above, you will need a brokerage account and an advisory agreement to obtain asset management advisory services offered by the Firm. While the Firm is a broker-dealer, it uses various other broker-dealers to execute its trade requests. This makes the Firm an “Introducing Broker” and the other broker-dealer a “Clearing Broker” or “Custodian.”

For the B Riley Wealth Advisors division, National Financial Services (NFS) processes the majority of broker-dealer transactions as the Clearing Broker and provides discounted rates as well as other benefits based on the volume of trading the Firm directs through the NFS platform. Outside the B Riley Wealth Advisors division, First Clearing processes the majority of broker-dealer transactions as the Clearing Broker and provides discounted rates as well as other benefits based on the volume of trading the Firm directs through the First Clearing Platform. This could influence the Firm to recommend NFS or First Clearing as the custodian and Clearing Broker when other broker-dealers might offer you better execution. To insure you are receiving best execution, the Firm compares each trade executed at NFS and First Clearing to the national average for price and execution speed.

First Clearing is a subsidiary of Wells Fargo & Firm, a banking and financial services organization. Wells Fargo Advisors, LLC, a non-bank affiliate of Wells Fargo & Firm, is a registered broker-dealer and a Registered Investment Adviser that sponsors certain wrap fee programs offered by the Firm. Wells Fargo & Firm and its bank and non-bank affiliates (other than First Clearing) are referred to in this Brochure collectively as “Wells Fargo.”

The Firm also sponsors its own wrap fee programs - the Wunderlich Securities Inc. Wrap Fee Program (WSI), Wunderlich Asset

Management (WAM), and Alpha Research Portfolio (ARP). Under each of these programs, the Firm provides ongoing supervision of assets and the Representatives provide continuous and ongoing investment management.

Representatives may, upon authorization by you, exercise full investment discretion and choose the investments in WAM or can delegate that authority and responsibility to a third-party money manager (Sub-adviser) in WSI. ARP is a discretionary program in which the Firm relies upon the recommendations of its affiliate, B. Riley/FBR Research Department.

The Firm often engages Wunderlich Capital Management (WCM) to manage clients’ portfolio assets in the WSI Wrap Program. WCM is an SEC registered investment adviser owned and operated by Phillip Wunderlich – brother to the Firm’s former CEO, Gary Wunderlich. The Firm’s parent Firm, Wunderlich Investment Firm, Inc. (WIC), also owns a 20% interest in WCM. Phillip is registered individually as an investment adviser representative with the Firm and WCM. The close family relationship could produce a conflict of interest in the operation of both businesses of which we are addressing by making full disclosure in this brochure. The WCM performance results are not reviewed by the Firm or any other third-party.

The choice of using a wrap fee program versus using a non-wrap fee program does not increase or decrease the Firm’s compensation. In either case the Firm is entitled to its portion of the advisory fee and does not receive a separate amount for per trade commissions. For additional information relating to the Firm’s wrap fee programs, please refer to the Firm’s separate brochure describing such programs.

Your Representative will help you evaluate the different cost structure of these programs and various other alternatives before helping you choose the solution that suits your needs.

The Firm and its affiliates use or will use proprietary research, asset allocation and manager search information provided by the Firm or affiliates of the Firm. Research products or services provided to the Firm and/or its Clients may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities and other products or services (e.g., quotation equipment and computer-related costs and expenses) providing information to the Firm which enhances its investment decision-making performance. All

investment advisory arrangements with related parties are conducted on an arm's length basis so as to neither advantage nor disadvantage other Clients or the Firm's related parties. In addition, the Firm and/or its Clients will receive copies of research products and/or services from its affiliates at the same time as its affiliates provide copies of such research products and/or services to other Clients. The Firm and/or its Clients will not be given preferential access to such research products and/or services by its affiliates.

The Firm may recommend that certain Clients invest in securities of issuers with which the Firm or B. Riley FBR has an investment banking relationship or seeks to do business. Accordingly, the Firm and/or its affiliates may receive compensation for investment banking services or other similar services from the issuers of securities in which the Firm recommends that one or more its Clients should invest. Therefore, the Firm could also have an incentive to recommend Clients invest in securities of issuers based on the Firm's or B. Riley FBR's investment banking relationship with such issuers. The Firm will not recommend that a Client invest in the securities of an issuer with which the Firm or B. Riley FBR has an investment banking relationship or seeks to do business unless the Firm has determined that

such recommendation is in the best interests of the Client.

Neither the Firm nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Client. The Firm and its related persons intend to devote as much time as they deem necessary for the conduct of each Client's operation and portfolio management, and will allocate investment opportunities in accordance with the Firm's trade allocation policy. Since the Firm and/or its related persons may serve as advisers, directors, members, investors, partners, officers, investment adviser representatives, or provide other services to clients of the Firm and/or its affiliates, the Firm and/or its related persons may be given access to confidential information relating to portfolio funds or companies in which a Client may invest. As a result, the Client may be prohibited from engaging in transactions with certain entities, portfolio companies, or affiliates or purchasing or selling certain investments held in an account which may have an adverse effect on the Client.

Certain Clients may maintain brokerage accounts at the Firm or B. Riley FBR for which a Representative, in his/her dual capacity as a registered representative for the Firm or B. Riley FBR, may serve as broker. The Firm does not act in an advisory capacity with respect to these accounts.

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

### **Code of Ethics**

The Firm has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. The B Riley Wealth Management Code of Ethics describes the firm's fiduciary duties and responsibilities to Clients. To supervise compliance with its Code of Ethics, the Firm requires that anyone associated with the firm who has access to information regarding client investment recommendations or transactions must provide an initial and annual securities holding report and quarterly transaction reports to the firm's Chief Compliance Officer.

The Firm requires that each associated person must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

The Firm's Code of Ethics also includes the Firm's policy prohibiting the use of material non-public information. Any individual who fails to abide by the Firm's Code of Ethics may be subject to discipline. The Firm will provide a copy of its Code of Ethics to any Client or prospective Client upon request to the Chief Compliance Officer at the Firm's principal address.

Nothing in this Brochure or otherwise shall impose upon the Firm or any Representative any obligation to purchase or sell, or to recommend for purchase or sale, for any accounts any security which the Firm or any of its principals, officers, affiliates, employees or Representatives purchase or sell for their own accounts or for the accounts of other clients, unless not to engage in such activity would violate the fiduciary duty or the Firm.

## **Participation or Interest in Client Transactions**

Individuals associated with the Firm may buy or sell securities for their personal accounts identical to or different than those recommended to Clients. It is the expressed policy of the Firm that no Representative shall prefer their own interest to that of their advisory client(s) or make personal investment decisions based on the investment decisions of clients. Subject to the Code of Ethics, the Firm employees are permitted to trade for their own accounts side-by-side with the firm's clients in the same securities. When trading side-by-side with firm clients, the Representative is required to always place client orders first.

A client trade will be aggregated with an employee trade or trade by an affiliated account only if: 1) client trades are treated equally with employee and affiliated account trades; 2) each affiliated and non-affiliated participant in the trade will receive average execution and average commissions; and 3) securities purchased or sold will be allocated pro rata.

## **Personal Trading**

The Firm or any of its licensed professionals may act as an investment adviser for others, may manage assets for others, may own investments in its or their own names, and/or may serve as an officer, consultant, partner or stockholder of one or more investment partnerships or other businesses. All such activity is subject to compliance with the Firm's Code of Ethics and other written procedures. In doing so, the Firm or such persons may give advice, take actions, or refrain from taking actions differing from advice given, actions taken or actions not taken for any client.

Some of the Representatives are licensed to sell insurance products, in some cases through separate insurance businesses. These Representatives may receive commissions, deferred sales charges, on-going servicing fees, and other compensation because of a Client's purchase of insurance products. Consequently, these Representatives have a conflict of interest in recommending their Client purchase insurance products. Clients are under no obligation, contractual or otherwise, to purchase any insurance or security product or service from the Firm or any Representative.

## **Item 12 – Brokerage Practices**

### **Recommendation of Brokers**

As discussed in Item 10 above, B Riley Wealth Management (the Firm) will usually serve as introducing broker, and, depending on the advisory services chosen, NFS or First Clearing will usually serve as the clearing broker. You may select a third-party broker to serve as both the introducing broker and clearing broker. The Firm and any other broker-dealers utilized are referred to individually as a "Broker" and collectively as the "Brokers."

When recommending a Broker (including itself and its clearing firm), the Firm may consider the full range and quality of the Broker's services, including, among other things: the quality of execution and related services, commissions and transaction costs, financial responsibility, experience, professionalism, responsiveness, the value of research it provides and any other factors it believes are important to the Broker's ability to provide execution services consistent with fiduciary duties and the best interests of its clients.

The Firm does not participate in soft dollar arrangements with any of the Brokers. All services are paid for according to the separate agreement between the Firm and the individual Broker. Furthermore, the Firm does not receive client referrals from any of the Brokers. Our choice of Broker has been and will continue to be based on the value and quality of the services provided.

The Firm, as a broker-dealer and not as a registered investment adviser, does participate in soft dollar arrangements with certain customers; however, the Firm does not receive any soft dollar benefits from such customers. The Firm does provide soft dollar benefits, including eligible research and brokerage services, as a broker-dealer to certain customers of the firm. Such soft dollar arrangements are transacted pursuant to a written soft dollar agreement and in compliance with the Section 28(e) of the Securities and Exchange Act of 1934, as amended.



## Directed Brokerage

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In the advisory agreement, you will agree to direct all purchases, sales, exchanges, redemptions, or other transactions for the account through the named Broker. Please be advised the Firm's requirement to place all transactions through a selected Broker is a material conflict of interest. The Firm has a fiduciary responsibility to provide best execution for your transactions and would not use the named Brokers if they could not provide high quality execution services. This does not necessarily mean that you will receive the lowest cost or the best price on any given transaction.

The Firm considered the full range and quality of services available from the Brokers when choosing them to clear its trades and not just the price. Consequently, you may be able to obtain lower costs and better security pricing from a different broker-dealer and should carefully consider the value of Broker's execution services before entering an advisory agreement with the Firm. Furthermore, the total cost of the advisory services may exceed the combined amounts you would pay for separate advisory, brokerage and custodial services, especially if you used lower cost broker-dealers (i.e. a discount broker).

By signing the advisory agreement, you permit the Firm and any chosen sub-adviser to direct all transactions through the named Broker(s) in the advisory agreement. Please note the following:

- neither the Firm nor any sub-adviser has negotiated, will negotiate, nor will be responsible for negotiating commission rates, ticket charges, or other expenses charged by the Brokers, whether through volume discounts or otherwise, or for identifying other brokers who may provide better execution or impose lower costs, whether on a trade-by-trade basis or otherwise;
- total transaction costs may exceed the amount you would pay if you were free to choose another broker-dealer, and the Firm will continue to direct transactions to the Brokers because it has determined in good faith that such amounts are reasonable in relation to the value of the brokerage, research and other services provided by the Brokers
- trades for the account may not participate in block trades (in which orders for several accounts are aggregated for purposes of

execution) with accounts, if any, which have not directed brokerage (free accounts); and

- under certain market conditions, trades for the account may be delayed until after execution of trades for free accounts, if any.

As a result, you may not necessarily obtain commission rates or execution as favorable as might be obtained if the Firm or a sub-adviser were able to place transactions with other broker-dealers. Furthermore, if the Firm or a sub-adviser has any free accounts, the prices the account receives for its trades and the costs of execution will likely be less favorable than the free accounts receive. This will likely cause a disparity between the amounts of commissions paid, the prices received, or the net performance of your account when compared to free accounts with similar objectives.

The Firm considers itself to be a "full service" broker-dealer and investment adviser, and believes that its charges are reasonable in view of the full range of services it provides. Anyone considering a brokerage or advisory account with the Firm should not expect the lowest fees, commissions or other expenses, nor should they expect the best prices or performance - lower costs for comparable services or better performance are likely available through other broker-dealers or investment advisers.

Similarly, we believe a person seeking an adviser providing a minimal level of advice and service should consider the benefits of using another adviser offering different services for a lower fee. Except in very limited circumstances (generally for personal friends and family of employees and Representatives), the Firm does not offer advisory services at a price point comparable with discount firms.

## Client Directed Brokerage

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The Firm will only place trades with the Broker you designate in the advisory agreement. Other firms may have more flexible policies with placing transactions at any broker-dealer you may designate, but the Firm will not.

If the Firm permits you to direct brokerage transactions to a broker, the Firm will not have the authority to negotiate commissions, ticket charges, or other expenses among various brokers on a trade-by-trade basis or to obtain volume discounts from your named broker. Also, you will not participate in block trades, and the firm may delay the execution of your trades until after trades in accounts that do not direct

brokerage. When markets are volatile or when buying or selling an illiquid or thinly traded security, a delay in execution may result in less favorable prices.

Consequently, by directing brokerage you could incur higher transaction costs or greater spreads, or receive less favorable net prices than might otherwise have been the case. A disparity could arise in the commissions paid, the prices received, or the net performance of accounts with similar objectives, but which did or did not direct brokerage.

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### **Duty to the Client**

The Firm will monitor the account and the quality of the execution and other services provided by the Brokers to evaluate the quality and costs of the services provided by the Brokers. Unless the Firm and the Brokers agree to alter their clearing arrangement prior to the specified time, the Firm will continue the accounts' execution of transactions through the Brokers, under the fee structure as then provided under your advisory agreement.

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### **Valuation**

Except as otherwise provided in an advisory agreement, the "value" of an account (and any asset of the account) will be the sum of the long and short market values of all cash and securities (including without limitation stocks, bonds, mutual funds, money market funds, and ETFs), and the credit balances and cash balances in any depository product or similar bank demand deposit account. Margin debit balances do not reduce the value of the account. In determining values, the Firm will use the prices as of the close of trading on the trade date nearest to the date such valuation is being calculated, as reported by the chosen Custodian through the electronic information system provided to the Firm.

If values are not available from the Custodian or if the Firm believes a reported value does not accurately reflect the fair value of the account or

any asset of the account, the Firm will consider the following, among other information, in determining the fair value:

- the bid prices of the last recorded transaction for listed securities, options and over-the-counter NASDAQ securities;
- the mutual fund's most recently reported net asset value, as computed by the fund.

We will utilize information provided by services believed to be reliable. If any prices are unavailable or believed to be unreliable, we will determine prices in good faith to reflect our understanding of fair market value.

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### **Trade Errors**

On infrequent occasions, an error may be made in an account. For example, a security may be erroneously purchased instead of sold. If the Firm was responsible for the error, it will restore or return the account to the position it would have been in had the trading error not occurred. Depending on the circumstances, various corrective steps may be taken, including but not limited to, canceling the trade, adjusting an allocation, or reimbursing the account.

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### **Margin**

If you choose to use margin, you should be aware that the margin debit balance will not reduce the market value of the account's assets, and will therefore increase the advisory fee. The increased fee may provide an incentive for the Firm and Representative to recommend portfolio strategies who use margin strategies.

The use of margin is not suitable for all investors, since it increases leverage in the account and therefore its risk. Please see the Margin Disclosure Statement and the Account Terms and Conditions for more details on the risks of margin use.

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## **Item 13 – Review of Accounts**

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### **Reviews and Reviewers**

The Firm considers account reviews a continuous process, with the frequency and nature of the review dependent on several factors and situations, such as: whether the account is managed on a discretionary basis, the

buying or selling of a security, balancing gains/losses for tax planning, raising or lowering cash based on market conditions, investing new capital contributions, and adjusting overall portfolio composition to maximize returns given current market conditions.

At various times, depending on the nature and reason for the review, the Firm may review the suitability of the investment strategies in which the account participates, the securities held within the account and your financial resources and time horizon (Suitability Information). The Firm employs branch office managers who are responsible for performing reviews quarterly and the number of accounts assigned to each manager depends upon the size of the branch. The Firm additionally has established a centralized review group to assist the branch office managers in these duties. The Firm uses an electronic review system that records all daily transactions and searches for trades that violate certain of its procedures. The Firm's Compliance Department will periodically review this system and a sampling of the transactions it records to make certain it continues to alert the managers to possible procedural violations.

### **Reports**

All Clients (other than consulting Clients) will receive the following reports from the Custodian:

- confirmation of each securities transaction,
- all other documents required by law to be provided to security holders; and
- a quarterly statement reflecting all activity in the account during the preceding period, including all transactions made on behalf of the account, all contributions and withdrawals, all fees and expenses, and the value of the account at the beginning and end of the period.

The advisory agreement may provide for additional reports. Accounts will receive performance or other reports only as specifically provided in the advisory agreement.

### **Other Client Communication**

For each account, Representative will provide investment advice. Your Representative, chosen sub-adviser, or other investment manager will manage the account based on your Suitability

Information. At least annually, Representative will contact you to determine whether there have been changes in the Suitability Information, including whether you wish to impose new investment restrictions or modify existing restrictions to the extent allowable under the terms of a particular investment strategy. Representative and the Firm will make themselves reasonably available for consultation.

You will retain, with respect to all securities and funds in the account, to the same extent as if you held the securities and funds outside of the advisory account, the right to:

- withdraw securities or cash;
- vote securities or delegate the authority to vote securities to another person;
- proceed directly as a security holder against the issuer of any security in the account and not be obligated to join any other client, as a condition precedent to initiating such proceeding.

### **Clients Receiving Consulting Services**

The accounts of Clients receiving consulting services will be reviewed, if at all, as provided in the advisory agreement. The review will be conducted by Representative, unless otherwise stated in the advisory agreement. Financial planning Clients will receive only the reports described in their advisory agreement.

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

### **Client Referrals**

If your Representative refers you to another Representative for investment advisory services, both the Representatives will share in the advisory fees paid by the account, in such proportions as they shall agree.

The Firm accepts referrals of prospective clients from third-parties (Solicitors). Assuming the Solicitor has executed a Solicitor's agreement with the Firm and abides by all applicable laws and regulations, the Firm will share a portion of the fees generated by each referred client with

the Solicitor. Each prospective client receives a Solicitor's Disclosure Document and signs a consent form before entering any agreements with the Firm

The Firm may also receive compensation for referring you to a third-party adviser. The amount of compensation will be determined by the agreement between the Firm and the third-party adviser. The Firm will act as the Solicitor and deliver to you its Solicitor's Disclosure Document at the time of the referral.

Please note that payment of compensation to the Firm and Representative for recommending a third-party adviser creates a conflict of interest. Although the Representatives commit to acting in your best interests, the existence of such compensation could encourage them to make an unnecessary referral or cause them to withhold information about an alternative investment option that doesn't provide equivalent compensation.

### **Other Compensation for the Firm**

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The Firm and Representative have a conflict of interest when recommending the Firm and NFS as introducing and clearing brokers. An increase in the number of accounts, amount of assets, or number of transactions processed through NFS will at certain levels, help the Firm meet its minimum monthly clearing fees. This is an economic benefit to the Firm, even if no additional commissions are charged. In addition, the Firm receives other fees from NFS such as rebates on money market or margin account balances, which are based on the number and size of the accounts and balances carried with NFS.

The Firm will retain the amount of these fees it receives as additional compensation and will not credit or rebate these fees against the advisory fees.

In certain cases, clearing brokers, custodians, or other firms who hold account assets (each a "Sponsor") may agree to invest a portion of the revenues from accounts through allowances to the Firm, the Representatives, and other advisers, broker-dealers, or representatives whose Clients have accounts.

The Firm may agree to provide the Sponsors with introductions to and information concerning itself or the Representatives, and allow the Sponsors to participate in meetings and workshops. In addition, the Sponsors may agree to provide the Firm or the Representatives

with organizational consulting, education, training and marketing support.

A Sponsor may pay for annual conferences designed to facilitate and promote the success of the advisory services. It may offer portfolio strategists, investment managers, or investment management firms (who may also be sub-advisers for mutual funds recommended by the Firm or Representatives) the opportunity to contribute to the costs of the Firm annual conference and be identified as a sponsor of a portion of the conference. A Sponsor may agree to bear the cost of airfare for certain Representatives to attend the Sponsor's annual conference or to conduct due diligence visits to the Sponsor's offices. In addition, a Sponsor may, from time to time, contribute to the costs incurred by the Firm regarding conferences or other client events conducted by the Firm or a Representative.

The Brokers may provide other products and services that help the Firm or the Representative manage and administer their accounts, but which may or may not benefit accounts held with other custodians. These products and services may include software and other technology that provide access to account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of the Firm fees from its accounts; and assist with back-office support, recordkeeping and Client reporting. These products and services may be used to service all or a substantial number of the Firm accounts, including accounts not maintained with the Broker.

These payments and other economic benefits represent additional compensation to the Firm, over and above the advisory fees. Be aware that these various forms of compensation and economic benefits are strong incentives for the Firm to recommend (and to continue recommending) NFS over other brokers, investment advisers and custodians. Furthermore, the Firm has the same strong incentive to recommend (and to continue recommending) their investment products and services over other products and services which might provide better returns or better prices but which do not provide equivalent compensation or economic benefits to the Firm. B Riley Wealth Management intends to fulfill its fiduciary duty

to act in the best interests of its Clients; however, these strong economic incentives could, consciously or unconsciously, influence its decision-making. You should consider the risk from these influences on the Firm's recommendations when deciding to begin or continue a relationship with the Firm.

**Other advisers may be able to provide the same or similar services without the presence of these conflicts of interest. Other advisers or custodians may be able to provide the same or similar services for a lower cost or obtain better prices or performance.**

Additionally, the Firm depends, in part, on business referred to it by its Representatives. As such, it has a strong financial incentive to maintain or improve its relationships with the Representatives so that they continue to make referrals.

#### **Other Compensation for the Brokers**

For its brokerage and related services, NFS may charge commissions, markups, markdowns, and other transaction-related charges, and may also charge a fee for its services as Custodian. The amount of such fees and expenses will be charged and collected separately from the advisory fee and will be listed in the account opening documentation.

The other Brokers will charge and collect their own separate transaction-related brokerage and custody fees. Such expenses will be detailed in the brokerage account agreement you sign with each Broker. These fees and expenses are

separate from the Firm's advisory fee which is detailed in the Agreement you sign with the Firm.

The Brokers may receive Rule 12b-1 distribution fees, shareholder servicing, or administrative fees with respect to mutual funds or money market funds held in the account. Cash awaiting investment or reinvestment at a Broker may be invested in cash management or money market funds at the Broker or another Custodian (or an affiliate), pursuant to an automatic cash sweep program. The adviser to these funds may be an affiliate of the Broker or other Custodian (or its affiliate). Thus, the Brokers have an incentive to purchase mutual funds or money market funds which pay 12b-1 Fees. 12b-1 fees received by the Firm for money market funds are not provided to Representatives as compensation. Any mutual funds (to exclude money market funds) maintained in custodial accounts for Clients which provide 12b-1 fees will not additionally be included as Managed Assets and will not be included as assets for calculations of Representative management fees.

The Brokers also receive non-brokerage related fees such as margin interest, IRA fees and money market fund fees, and a money market administrative fee. The Brokers may also receive compensation from funds available through the Brokers for the execution of purchases of Fund shares or the performance of clearance, settlement, custodial or other functions ancillary thereto (including, without limitation, recordkeeping, sub-accounting, shareholder communications, administrative and similar services provided to such funds).

### **Item 15: – Custody**

Custody, as it applies to investment advisers, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds or securities. If an investment adviser can access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

The Firm is deemed to have custody of client funds and securities because you give it the authority to have fees deducted directly from your account. The Firm also has custody when a Client has a standing letter of authorization (SLOA) instructing the Firm to disperse assets or

securities from the Client's account to a third party. The Firm will undergo a surprise custody examination by an independent auditor for those accounts that utilize third party standing letters of authorization unless SEC rules permit the firm to forego the surprise audit requirement. Authorization to trade in Client accounts (discretion) is not deemed custody.

The Firm's established procedures require that all Client funds and securities must be held at a qualified custodian in a separate account for each Client under that Client's name. You or your representative will execute an agreement that establishes each account, therefore, you will know the qualified custodian's name and address as well as the way your funds or

securities are maintained. Finally, the qualified custodian will deliver your account statements directly to you or your representative at least quarterly. You should carefully review those statements and compare them to any

communication you receive from the Firm. If you ever have questions about your statements, please feel free to contact the Firm, your Representative or the qualified custodian.

## **Item 16: – Investment Discretion**

In the advisory agreement, you will grant the Firm and Representative full discretion to select the securities, to designate the strategies, and to buy, sell, or otherwise effect securities transactions for the account without your prior notice or consent. The Firm will not manage your account on a day-to-day basis, and will not affect transactions for the account, except as the Firm deems necessary in the exercise of its supervisory responsibilities with respect to any Representative and its fiduciary duties.

Prior to signing the advisory agreement, you will work with Representative to identify the financial situation, investment objectives,

tolerance for risk, and investment time horizon for the account (Suitability Information). You will also specify any reasonable restrictions you wish to impose on investments for the account.

Any limitations on this discretionary authority and any reasonable restrictions you wish to place on the account must be included in the advisory agreement. You may change or amend account limitations or restrictions at any time by submitting a signed writing indicating your desired changes.

## **Item 17: – Voting Client Securities**

Generally, and except to the extent that a Client otherwise instructs the Firm in writing, the Firm will vote (by proxy or otherwise) in all matters for which a vote is solicited by, or with respect to, issuers of securities beneficially held in an account in accordance with the Firm's proxy voting policies and procedures for B Riley Wealth Advisors (the "Policies").

The Policies require the Firm to vote proxies received in a manner consistent with the best interests of its Clients. The Policies also require the Firm to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of the Client that beneficially owns the voting securities. However, the Policies permit the Firm to abstain from voting proxies in the event that the Client's economic interest in the matter being voted upon is limited relative to its overall portfolio or the impact of the vote will not have an effect on the outcome of the matter up for vote or on the Client's economic interests. With respect to Clients participating in third party programs, the Firm is expressly precluded from taking any action or rendering any advice regarding voting of proxies solicited by, or with respect to, the issuers of any securities without written permission from the beneficial owner. The Firm's ability to vote proxies associated with the accounts of Clients depends on whether the

Client has delegated such authority to the Firm. When written permission has not been provided, Clients expressly retain the authority and responsibility with respect to voting proxies for their accounts or will delegate discretion with respect to voting such proxies to a third party. If the Firm receives any proxy materials that pertain to securities held in these accounts, the Firm will forward the materials to the person designated by the Client.

Certain of the Firm's proxy voting guidelines are summarized below:

- the Firm generally votes for: uncontested director nominees recommended by management; the election of auditors recommended by management, unless a dispute exists over policies; limiting directors' liability; and eliminating preemptive rights.
- the Firm votes against: proposals that make it more difficult to replace board members, including proposals to: stagger the board; overweight management on the board; introduce unequal voting rights; proposals to entrench the board or adopt anti-takeover measures; proposals to provide cumulative voting rights; and social issues.

Although many proxy proposals can be voted in accordance with the Firm's proxy voting guidelines listed above, some proposals will require special consideration, and the Firm will make a decision on a case-by-case basis in these situations, including proposals to: eliminate director mandatory retirement policies; rotate annual meeting locations and dates; grant options and stock to management and directors; and indemnify directors and/or officers. The Policies include guidelines to follow when the Firm receives proxies and for the Chief Compliance Officer to follow if a material conflict of interest arises between the Firm or its employees and its Clients to ensure that such conflict is resolved in the best interests of the Clients.

The Firm's proxy voting policy and procedures, as well as its proxy voting record, are available for Clients to review. Clients may review and

discuss these documents upon request by contacting Chief Compliance Officer – Investment Advisory Services, Nolan Hughes, at (901) 251-1367 or [nhughes@brileywealth.com](mailto:nhughes@brileywealth.com).

Neither the Firm nor Representative 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. If desired, you may direct the Firm to transmit copies of class action notices to you or a third party. Upon such direction, the Firm will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18: – Financial Information**

This item is not applicable to B Riley Wealth Management. The Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. We are not subject to a financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients. We have not been the subject of a bankruptcy petition at any time.