



40 S. Main Street, Suite 1800  
Memphis, TN 38103

901.251.1330  
[www.brileywealth.com](http://www.brileywealth.com)

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(Previously revised April 1, 2021)

This wrap fee program brochure (“Brochure”) provides information about the qualifications and business practices of B. Riley Wealth Management, Inc. (“B. Riley Wealth Management the “Firm”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Michael Markunas at 310-689-2220 or [mmarkunas@brileyfin.com](mailto:mmarkunas@brileyfin.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 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 (“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 is 2543. Registration with the SEC does not imply a certain level of skill or expertise.

## Item 2 – Material Changes

The following items explain material changes that you should be aware of as a current or prospective client of our advisory programs or services. Each year you will receive either a summary of material changes that were made to the Form ADV brochure over the previous year or an updated Form ADV brochure. You can always request a full copy of any of our current Form ADV brochure by contacting Candy Palugi, Deputy Chief Compliance Officer, at (901) 251-1361 or [cpalugi@brileywealth.com](mailto:cpalugi@brileywealth.com), or Michael Markunas, Chief Compliance Officer, at 310-689-2220 or [mmarkunas@brileyfin.com](mailto:mmarkunas@brileyfin.com).

The changes made to this document since our annual amendment in April 2021 are summarized below:

- This brochure was updated to include a greater disclosure surrounding fees related to the cash sweep options used in our wrap-fee programs.

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## Item 4 – Services, Fees & Compensation

### Wrap Fee Overview

In a wrap fee arrangement, you pay a combined fee for investment advice, brokerage, clearance, settlement, and custodial services. You may also be charged for expenses or services that are not covered by the wrap fee. Your specific wrap fee arrangement and payment terms will be listed in the Investment Advisory Agreement and will be fully disclosed to you prior to participating in any of our wrap fee programs.

The Firm assesses the wrap fee on all eligible assets held within your wrap fee account. Your wrap fee account may hold both wrap fee eligible and ineligible assets. The Firm will only provide advisory services for wrap fee assets and is not responsible for managing non-wrap fee assets.

The Firm receives some or all of the wrap fee for its advisory services and share a portion of this fee as compensation with Representative according to terms of a separate agreement with the Representative. Your Representative may elect to delegate trading authority for your WAM account to a third-party money manager (the “Sub-adviser”). If a Sub-adviser is engaged, each Sub-adviser will collect its own wrap fee on the assets under its control. Sub-advisers will typically charge 0.25% to 0.75% per year. Your Investment Advisory Agreement will indicate how much your chosen Sub-adviser will charge and such fees will be combined into the wrap fee assessed on your account. Whether you select a Sub-adviser or not, your total, combined wrap fee will not exceed 2.0%. Further, the Firm is responsible for all transaction charges assessed by either Wells Fargo First Clearing, LLC, a subsidiary of Wells Fargo & Company (“First Clearing”) or National Financial Services, LLC, a subsidiary of Fidelity Investments (“NFS”).

### B. Riley Wealth Asset Management Program (“WAM”)

B. Riley Wealth Asset Management (“WAM”) is the Firm’s managed account wrap fee program which provides clients investment management services on a discretionary or non-discretionary basis. As part of the wrap fee program, your Representative will provide portfolio management services and recommendations on a

wide variety of investment options as described herein.

The maximum annual program fee for accounts participating in the WAM program is 2% annually and is subject to negotiation. Blended fees can occur for accounts exceeding \$500,000. The minimum investable assets required to participate in a WAM account is \$50,000. For WAM accounts participating in Firm discretionary models offered through B. Riley Wealth Investment Solutions Discretionary Management (W.I.S.D.M.) program, the account minimums are \$15,000 for mutual fund portfolios and \$25,000 for exchange-traded fund (ETF) portfolios. Exceptions to the account minimums may be made at the Firm’s discretion.

Trading discretion will be provided to your Representative pursuant to an Investment Advisory Agreement and shall remain effective until revoked by either party in writing. Trading discretion associated with either WAM or W.I.S.D.M. will also terminate upon the termination of the Representative’s association with the Firm.

### Other Wrap Fee Arrangements

If your Representative determines that a Sub-adviser is appropriate for your account then, in addition to the Investment Advisory Agreement you will be required to sign an agreement with the Sub-adviser(s). If multiple Sub-advisers are engaged, then each Sub-adviser will manage a portion of your assets according to its stated investment objective. Each Sub-adviser employs different strategies and will exercise full investment discretion over the assets under its control. If you determine that a Sub-adviser is appropriate for your account, your Representative will not have any discretion over the investments chosen but will have the authority to terminate the relationship with any chosen Sub-adviser.

Representatives may choose from any Sub-adviser available through the Firm’s clearing firms, First Clearing or NFS. In addition, your Representative may engage Wunderlich Capital Management, LLC (“WCM”) which is minority owned by the Firm and majority owned by Philip Wunderlich, an employee of the Firm.

Sub-adviser fees will be paid from fees assessed on your WAM wrap fee account as stipulated in, and in accordance with, the Investment Advisory Agreement applicable to that sub-advisory relationship.

B. Riley Wealth Management and/or First Clearing and/or NFS reserve the right—depending on the Sub-adviser chosen and the fees charged—to request an increase in the wrap fee whenever a Sub-adviser is engaged. You are not required to consent to such fee increase. If you do not pay such increase, the Firm and/or First Clearing and/or NFS may either engage the Sub-adviser without increasing the fee or decline to engage the Sub-adviser. You should carefully review each Sub-adviser’s disclosure document and advisory agreement before investing.

### **Additional Wrap Fee Program Information**

You and your Representative will review your objectives and the performance of your account at least annually.

For each of the wrap fee programs described above, you or the Firm may terminate the Investment Advisory Agreement at any time upon written notice. If you terminate the Investment Advisory Agreement within 5 days of its execution, you will receive a full refund of any advisory fees. However, termination will not affect any other liabilities or obligations incurred or arising from transactions effected for your account or actions taken prior to such termination. For example, you may be liable for any losses which occur in your account during this period. Neither will termination of the Investment Advisory Agreement affect provisions in the intended to survive termination, such as the provision regarding arbitration, which will survive any expiration or termination of the Investment Advisory Agreement. Upon termination, you shall have exclusive responsibility for monitoring the securities in your account, and neither the Firm, your Representative nor any Sub-advisers shall have any further obligation under the Investment Advisory Agreement to act, not act or dispense advice respecting your account or the assets contained therein.

In addition to your Investment Advisory Agreement, please carefully review this

disclosure document before deciding to invest. Additional copies of this and any other disclosure documents may be obtained by contacting your Representative or the Firm at the address shown on this Brochure.

Firm sponsored wrap fee programs will require a brokerage account for proper management. By signing the Investment Advisory Agreement, you agree that, if needed, you will establish a brokerage account with either First Clearing or NFS. You may choose to enter into additional agreements with First Clearing or NFS, such as for margin or other credit services, cash management services (including “sweeps” of idle cash into a bank deposit product or a money market mutual fund), or other financial services. You will receive separate disclosure documents pertaining to the brokerage account and the other services to be provided by First Clearing or NFS.

In the WAM wrap fee program, your Representative will manage your account using any or all of the following types of 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
- variable life and variable annuities
- options on securities

B. Riley Wealth Management does not provide advice about warrants, commercial paper, commodities, futures contracts, or options on commodities or futures contracts.

The Firm relies on the pricing services of either First Clearing or NFS to value securities in your account, assuming market quotations are readily available for such securities. If market quotations are not available or the Firm believes a reported value does not accurately reflect the fair value of the account or any asset of the account, the Firm may consider information provided by other market quotation services if determined by the Firm to be reliable. If market quotations are unavailable or deemed unreliable, the Firm may determine values for the securities in your

account based on a good faith assessment, taking into consideration all available pricing information.

First Clearing, NFS, and B. Riley Wealth Management are permitted to route client orders for over-the-counter and listed equity securities to selected market makers or centers for execution. First Clearing, NFS, and the Firm may receive compensation in the form of a per-share cash payment for directing order flow to these market makers or centers.

For their portion of the fee, Representatives will provide account support services and may also provide related fiduciary services. In order to receive such related fiduciary services, you will need to sign a separate agreement. Any fees for related fiduciary services will be calculated as part of the total wrap fee.

Wrap fee program fees and certain account terms are negotiated on a case-by-case basis, depending on a variety of factors, including the (i) nature and complexity of the particular service, (ii) the requirements of the Representative, (iii) your relationship with the Firm and Representative, (iv) the size of the account, (v) the potential for other business or clients, (vi) the amount of work anticipated, and (vii) the attention needed to manage the account, among other factors.

Your Investment Advisory Agreement will state the specific program fee applicable to your account. The fee for WAM will be charged in advance and collected quarterly on all wrap fee program assets in each account.

The value of those assets under the wrap fee program will be determined on the first business day of the quarter or other such time period agreed upon by you and your Representative in your Advisory Agreement.

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

Valuation Date	Total Account Value	1.20% Program Fee	Quarterly Fee - \$
January 1	\$1,000,000	0.3%	\$3,000
April 1	\$980,000	0.3%	\$2,940
July 1	\$995,000	0.3%	\$2,985
October 1	\$1,075,000	0.3%	\$3,225

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

For the WAM wrap fee programs, you may negotiate the account values, if any, at which the fee will be discounted (breakpoints), subject to the maximum fees adopted by the Firm. You may specify the accounts that will be included in the same "household" for purposes of calculating the fee. The actual fee and the breakpoints, if any, will be shown in your Investment Advisory Agreement. The breakpoints will be based on the aggregate value of all accounts in the same household.

Wrap fees do 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, First Clearing, NFS 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 affiliate, First Clearing, or NFS may be underwriters); costs to third parties for transactions not executed through First Clearing or NFS; 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 of the excluded expenses will be direct or indirect expenses borne by the account and will be in addition to the wrap fee program fee.

In addition to the wrap fee program fees, you will also be responsible for any other fees and charges described in the Investment 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.

## Money Market Funds and Bank Deposit Sweep Program Fees

Because cash balances are included as part of the value of the account, any asset-based fees assessed pursuant to the Investment Advisory Agreement will be based, in part, on cash balances invested in money market funds or the Cash Sweep Program. In addition, First Clearing or NFS 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 First Clearing or NFS, 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, which means that the yield you receive on money market funds will be lower than what it would have been if such fees and expenses were not charged to the money market funds. No 12b-1 fees related to the use of money market funds are received by the Representative as compensation.

If you choose to participate in the cash sweep program, you may pay more in program fees than the interest earnings that may be generated by these cash and cash equivalent assets. Smaller accounts may be affected more due to fee structures that favor larger accounts. There are differing risks and account protection features among the cash sweep options. For further information about the cash sweep options, including fees associated with the sweep products, please review the Client Account Agreement, which is provided by First Clearing or NFS at the time your brokerage account is established. Additional information about the money market funds sweep option is found in the prospectus relevant to each money market fund.

Under the Firm's clearing agreements with First Clearing and NFS, a proportionate share of our compensation will increase as the aggregate balances in the money market funds or other bank depository products increase. Without such compensation arrangement, the yield on your money market funds or bank depository product would be higher. This compensation arrangement creates an incentive for the Firm to

make decisions for the account which would have the effect of lowering the yield of the cash sweep options in your account while increasing the Firm's compensation.

You should consider all of these 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, Mutual Funds, or ETFs are disclosed in their respective prospectuses. When you choose to participate in an advisory program, you acknowledge that you could purchase Money Market Funds or Mutual Funds or ETFs directly without paying the wrap fee program fee.

## General Fee Practices

Transactions not settling 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 Investment Advisory Agreement, the Firm will calculate the wrap fee program fee based 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.

Unless otherwise limited by the custodian or an agreement with a Sub-adviser or Separate Account Program, 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 Investment Advisory Agreement, no refund or other adjustment of a wrap fee program fee already paid will be made as a result of a decline in the value of the account (whether due to market losses or withdrawals); provided, in the event the Investment Advisory Agreement is terminated within 5 days after execution, all wrap fee program fees will be refunded, as provided in the Investment Advisory Agreement.

The Client executed Investment Advisory Agreement will direct the Custodian to pay the

wrap fee program fees as instructed by the Firm or a Sub-adviser without prior notice. All account assets, transactions, and wrap fee program fees will be shown on the monthly or quarterly account statements provided by the Custodian.

### **Conflicts of Interest**

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Wrap fee programs may not be suitable for all investment needs, and any decision to participate in a wrap fee program should be based on your financial situation, investment objectives, tolerance for risk, and investment time horizon, among other considerations. The benefits under a wrap fee program depend, in part, upon the size of the account and the number of transactions likely to be generated.

For example, a wrap fee program is not be suitable for accounts with no or low trading activity. In order to evaluate whether a wrap fee program is suitable, you should compare the wrap fee program fee and any other costs of the wrap fee program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for services comparable to those provided under the wrap fee program.

The Firm and Representative receive a portion of the wrap fee as compensation. This compensation may exceed the amount earned if you paid separately for investment advice, brokerage and other services. Accordingly, a conflict of interest exists as the Firm and the Representative have a financial incentive to recommend the wrap fee programs over other programs or services for which the compensation arrangements are not as beneficial to the Representative.

When compared with the traditional commission option, asset-based fee arrangements generally result in lower costs during periods when trading activity is heavy, such as the year an account is established. During periods when trading activity is lower, such asset-based fee arrangements may result in higher annual costs. Some clients favor the asset-based fee because it fixes their brokerage cost at a predetermined level; whereas other clients may not find such an arrangement suits their needs because they anticipate their accounts will have low turnover.

Depending on the amount of the wrap fee, the frequency of transactions, and the nature and

value of the services provided under the wrap fee program, the wrap fee may or may not exceed the aggregate cost of obtaining these services separately. The fees for a wrap fee program may result in higher costs than you might otherwise incur by paying a management fee and negotiating separate arrangements for brokerage and trade execution, custodial services, and performance reporting.

Please note the amounts to be charged to your account for services, fees, expenses, or costs the Firm has performed, incurred, advanced, or paid on the your behalf (whether or not billed to you, the account, or the Firm) will include a reasonable profit, unless prohibited under the Investment Advisory Agreement or applicable laws, regulations, or rules.

If an account is used as collateral for a non-purpose loan (securities-based lending), the Firm and your 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 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.

The Firm does not create or promote proprietary products. The Firm does not own or manage mutual funds, exchange traded funds, annuities, or insurance products. However, through affiliation with B. Riley Financial, Inc., the Firm has access to proprietary products offered by its affiliate B. Riley Capital Management, LLC (BRCM). BRCM, as the fund adviser 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.



## Item 5 – Account Requirements and Types of Clients

### Account Requirements

For WAM utilizing W.I.S.D.M., account minimums are \$25,000 for exchange-traded fund models and \$15,000 for mutual fund models, respectively.

To open an account with any given Sub-adviser, you will need to meet and maintain its minimum account balance. These minimums can typically range from \$25,000 to \$100,000. For WAM

participation, the account should have at least \$50,000 of assets.

### Types of Clients

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

## Item 6 – Portfolio Manager Selection and Evaluation

Investment recommendations for wrap fee program accounts are based on an analysis of your individual investment objectives, financial needs and tolerance of risk as provided to your Representative. Recommendations are derived from research and analysis we believe to be reliable and appropriate for your financial circumstances. You have the responsibility to advise your Representative whenever there are material changes to your financial situation, investment objectives or risk tolerances. In WAM, your Representative will act as the portfolio manager of your account. Your Representative is supervised by a assigned supervisory principal.

Clients have the option of using any of the Sub-advisers available through multiple advisory programs offered by First Clearing or NFS. Each wrap fee program offered by First Clearing or NFS has specific criteria used in evaluating and/or selecting portfolio managers or underlying investments for inclusion in the program. To review these criteria, you will need to examine the separate agreement and program description provided by First Clearing or NFS. The Firm relies on First Clearing and NFS's research and due diligence to determine which

portfolio managers to include and when to replace each portfolio manager.

Each Sub-adviser engaged by First Clearing or reports its performance results that Broker. The Broker verifies the accuracy of this information before including it in your account information. The Firm does not conduct any additional review of the performance results.

You also have the option of retaining the services of WCM, a Memphis, Tennessee based registered investment adviser majority owned and operated by Phillip Wunderlich. B. Riley Wealth Management Holdings Inc. holds a minority interest in WCM. Phillip Wunderlich is registered individually as an investment adviser representative with the Firm and WCM. The affiliation and partial ownership of WCM creates a conflict of interest in the operations of WCM and the Firm. The Firm may be less likely to provide the support and resources to WCM that it provides to other wrap fee programs. Philip Wunderlich is more likely to direct clients to invest their assets in WCM rather than other wrap fee programs as his compensation for WCM managed accounts is higher than in other wrap fee products. WCM's performance results are not reviewed by the Firm or any other third-party.

## Item 7 – Client Information Provided to Portfolio Managers

Your Representative will collect the required personal information necessary to open a brokerage account in your name and will work with you to identify your financial situation, stated investment objectives, tolerance for risk, and investment time horizon (collectively, "Suitability Information"). Your Representative will accept any reasonable restrictions that you

impose on investments for your account. The Firm will share part or all of this information with First Clearing or NFS, and any chosen Sub-adviser, in the wrap fee program where applicable.

You must promptly notify the Firm and/or your Representative of any change in your Suitability Information, including without limitation, any

changes in your investment objectives, risk tolerance, investment time horizon, investment policies or guidelines, or reasonable restrictions you wish to place on your account. You agree to provide the Firm and your Representative with additional information as the Firm or your Representative may request from time to time to

assist in servicing and managing your account. Neither the Firm, First Clearing, NFS, your Representative nor any chosen Sub-adviser shall have any liability related to you failure to provide accurate or complete information to the Firm or your Representative.

## Item 8 – Client Contact with Portfolio Managers

Except for firm discretionary W.I.S.D.M. models, the Firm introduces clients to portfolio managers. Sub-Advisers used by the Firm maintain their own policies regarding client access and communications which are communicated to the client through the Representative. In certain instances, Representatives may arrange for a client to consult directly with a portfolio manager pursuant to a written agreement with the Sub-adviser.

## Item 9 – Additional Information

### Advisory Related Disciplinary Actions

There have been no material advisory related disciplinary actions within the last ten years.

### Broker-Dealer Related Disciplinary Actions

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

- On December 30, 2020, the Firm consented to a censure and payment of restitution to clients of \$252,740. Without admitting or denying the findings, the Firm consented to the sanctions and to the entry of findings that it failed to establish and maintain a supervisory system reasonably designed to supervise Representatives' recommendations to customers to purchase particular share classes of 529 savings plans. The findings stated that the Firm did not provide adequate guidance to Representatives regarding the importance of considering share-class differences when recommending 529 plans. Also, although the Firm's WSPs required a review of 529 plan applications at account opening, the procedures did not require supervisors to evaluate the suitability of share-class recommendations or provide adequate guidance to supervisors regarding the facts and factors relevant to such a suitability review. Additionally, despite requiring supervisory review of 529 plan accounts at account opening, the Firm did not have any systems or controls designed to track accounts as they were opened to check

that the required supervisory reviews were, in fact, conducted. Finally, the Firm did not consistently maintain 529 plan account information or capture trade data for its 529 plan accounts, both of which were necessary for a reasonable supervisory review of trading activity, including with respect to the suitability of 529 plan share-class recommendations. As a result of the deficiencies described above, the Firm was unable to conduct a reasonable supervisory review of the activity in at least 3,119 accounts, including approximately 620 accounts with beneficiaries under 12 years old that held at least \$4.6 million in 529 plan shares.

- 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 particular 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 of time. 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's website that failed to comply with FINRA disclosure requirements.

### Other Financial Industry Activities

In addition to being a registered investment adviser, the Firm is also a FINRA registered broker-dealer. The Firm's 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.

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 are under no obligation to accept any 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 are under no obligation to accept any such services.

Please refer to the *Conflicts of Interest* section 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 your 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 your 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 with for the time and attention of the Firm's principal executive officers and Representatives, and possibly, for limited investment opportunities, all of which can create conflicts of interest.

### **Other Financial Industry Affiliations**

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

broker. B. Riley Wealth Management is also affiliated with B. Riley Securities, Inc. which is also a FINRA registered institutional broker-dealer. From time to time, the Firm may engage in securities transactions with B. Riley Securities, Inc.

As discussed in Item 4 above, you will need a brokerage account and an Investment Advisory Agreement to participate in any of the wrap fee programs offered by the Firm. While the Firm is a broker-dealer in its own right, 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 each of the wrap fee programs, First Clearing or NFS serve as the Clearing Broker, which means that the Firm will use First Clearing or NFS to process all of the trades in your advisory account. First Clearing and NFS process the majority of the Firm's broker-dealer transactions and provide discounted rates as well as other benefits based on the volume of trading the Firm directs through NFS or First Clearing's platform. This could influence the Firm to recommend NFS or First Clearing wrap fee programs when other Brokers might offer you better execution. To ensure that you are receiving best execution, the Firm compares each and every trade executed at NFS and First Clearing to the national average for price and execution speed.

NFS is a subsidiary of Fidelity Institutional<sup>SM</sup>, which is a division of Fidelity Investments which offers clearing and custody services, investment and technology products and solutions, brokerage and trading services, and a range of insights, expertise, and world-class client experience to financial intermediary firms and institutions. Fidelity Investments is a leading provider of investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing, and other financial products and services to institutions, financial intermediaries, and individuals.

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

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.

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

### **Compliance Manual and Code of Ethics**

The Firm has adopted a Compliance Manual including s of Ethics which expresses the Firm's commitment to ethical conduct. B. Riley Wealth Management's Compliance Manual describes the firm's fiduciary duties and responsibilities to Clients. To comply with the manual, the Firm requires that anyone associated with the Firm who has access to information regarding client investment recommendations or transactions must disclose their securities holding on a regular basis. The Firm requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

The Firm's Compliance Manual 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 as outlined in the Compliance Manual 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 Firm's fiduciary duty.

### **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 person employed by the Firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions

based on the investment decisions of clients. Subject to the Code of Ethics, the Firm's employees are permitted to trade for their own accounts side-by-side with the firm's clients in the same securities.

When Representative receives a better price in a security the same day his/her client executes an order in the same security on the same side of the market (buy or sell), the client will receive the better price. 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, and/or refrain from taking actions that differ from advice given, actions taken or actions not taken for any particular 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 as a result 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.

### **Reviews of Accounts**

The Firm considers account reviews a continuous process, with the frequency and nature of the review dependent on a number of factors and situations, such as: 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 chosen Sub-adviser, the securities held within the account and your Suitability Information. The Firm employs branch office managers, supported by a centralized supervision unit, who are responsible for performing reviews quarterly and the number of accounts assigned to each manager depends upon the size of the branch. In addition, the Firm uses an electronic review system that records all daily transactions and searches for trades that violate any of its procedures. The Firm's compliance department periodically reviews this system and a sampling of the transactions it records to make certain that it continues to alert the managers to possible procedural violations.

You will receive the following reports from the Custodian:

- confirmation of each securities transaction, unless you waive receipt;
- 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 Investment Advisory Agreement for some wrap fee programs may provide for additional reports. Accounts will receive performance or other reports only as specifically provided in the Investment Advisory Agreement.

For each account, Representative will provide investment advice; provided, however, that certain programs, such as W.I.S.D.M., are based upon a model portfolio of securities which are not customized per investor. At least annually, Representative will contact you to determine whether there have been changes in your 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 wrap fee program. 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 program, 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 person involved in the wrap fee program or any other client, as a condition precedent to initiating such proceeding.

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### **Client Referrals**

If your Representative refers you to another Representative for investment advisory services, both the Representatives will share in the wrap 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.

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

The Firm and Representative have a conflict of interest when recommending the Firm as introducing broker and First Clearing or NFS as clearing broker. An increase in the number of accounts, amount of assets, or number of transactions processed through First Clearing or

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 First Clearing and 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 First Clearing and 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 wrap fees.

In certain cases, clearing brokers, custodians, investment companies, or other firms who participate in the Firm's wrap fee programs or who hold wrap fee program accounts (each a "Sponsor") may agree to rebate a portion of the revenues it earns from wrap fee program accounts through allowances to the Firm, the Representatives, and other advisers, broker-dealers, or Representatives whose Clients participate in the wrap fee programs.

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 wrap fee programs. 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's 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 in connection with conferences or other client events conducted by the Firm or a Representative.

First Clearing and NFS may provide other products and services that help the Firm or the Representative manage and administer their accounts. 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's 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's accounts, including accounts not maintained with First Clearing or NFS.

These payments and other economic benefits represent additional compensation to the Firm, over and above the wrap fees. Be aware that these various forms of compensation and economic benefits are strong incentives for the Firm to recommend (and to continue recommending) First Clearing or 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, First Clearing and NFS charge commissions, markups, markdowns, and other transaction-related charges, and may also charge a fee for its services as Custodian, in certain circumstances. The amount of such fees and expenses will be charged

and collected separately from the wrap fee and will be listed in the account opening documentation.

First Clearing and NFS 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 is invested in cash management or money market funds at First Clearing or NFS (or an affiliate), pursuant to an automatic cash sweep program. Thus, First Clearing and NFS have an incentive to purchase mutual funds or money market funds which pay 12b-1 Fees.

First Clearing and NFS also receive non-brokerage related fees such as margin interest, IRA fees and money market fund fees, and a money market administrative fee. It may also receive compensation from funds that it offers 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). 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 wrap fee program assets and will not be included as assets for calculations of Representative management fees.

### **Financial Information**

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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 never been the subject of a bankruptcy petition.