

Dear Valued Customer:

On June 5, 2019, the SEC adopted Regulation Best Interest (Reg BI) under the Securities Exchange Act of 1934. Reg BI establishes a “best interest” standard of conduct for broker-dealers and associated persons when they make a recommendation to a retail customer of any securities transaction or investment strategy involving securities, including recommendations of types of accounts.

In accordance with the Reg BI, B. Riley Securities, Inc. (BRS or the “Firm”) is providing to you the Regulation Best Interest Disclosure which summarizes important information concerning the scope and terms of the brokerage services we offer and details the material conflicts of interest that arise through our delivery of brokerage services to you. This document is intended to supplement our Customer Relationship Summary (“Form CRS”) which contains more broadly important information about the types of services we offer and general information related to compensation, conflicts of interest, disciplinary action and other reportable legal information. Our Form CRS is available at [https://files.brokercheck.finra.org/crs\\_25027.pdf](https://files.brokercheck.finra.org/crs_25027.pdf). We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you may receive from us.

As you review this information, we would like to remind you that BRS is a full-service investment bank registered with the Securities Exchange Commission (SEC) as a broker dealer and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

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**I. Brokerage Services:**

When you establish a brokerage account with BRS, you have the ability to buy, sell and hold investments within your account. The primary service we provide is our trading capability. We execute purchases and sales on your behalf, and as directed by you. In a brokerage services relationship, we can trade with you for our own account, for an affiliate or for another client at the same time as we trade with you and we can earn a profit on those trades. The capacity in which we act is disclosed on your trade confirmation. However, we are not required to communicate it in advance, obtain your consent, or inform you of any profit earned on trades.

<p><b>Cash Brokerage and Margin Brokerage Accounts</b></p>	<p>We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from either of our clearing firms, National Financial Services, LLC (“NFS”). This is generally referred to as a “margin loan.” The portion of the purchase price that is loaned to you is secured by securities in your account, also referred to as “collateral.” You will incur interest costs as a result of your margin activity. While many securities are eligible to be used as collateral for a margin loan, some assets are not available for margin collateral purposes.</p> <p>Given that a margin-enabled brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, our default brokerage option is our cash brokerage account. You must execute a separate NFS Margin Account Privileges Application before engaging in margin brokerage activity. Included with your NFS Margin Account Privileged Application is a copy of the Margin Disclosure Agreement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship with us. For more information on our margin brokerage services, contact your registered representative, refer to BRS Customer Agreement and Disclosure or visit our website at <a href="https://brileyfin.com/disclosures/">https://brileyfin.com/disclosures/</a>.</p>
<p><b>Brokerage Account Types</b></p>	<p>We offer many different brokerage account types including Delivery Versus Payment / Receive Versus Payment (DVP/RVP) accounts, individual and joint accounts, custodial accounts, estate and trust accounts, partnership accounts, individual retirement accounts and other types of retirement accounts as outlined in our account agreement(s). You should refer to our account agreement(s) for more information concerning available account types or with your registered representative.</p>

<p><b>Incidental Brokerage Services, Recommendations and Account Monitoring</b></p>	<p>Within your brokerage account, we may also provide other incidental services such as research reports, and recommendations to buy, sell, or hold assets. When we make a securities recommendation, investment strategy recommendation or recommendation to rollover assets from your Qualified Retirement Plan (QRP) to an Individual Retirement Account (IRA), the recommendation is made in our capacity as a broker-dealer unless otherwise stated at the time of the recommendation. Any such statement will be made verbally to you. Moreover, when we act in a brokerage capacity, we do not agree to enter into a fiduciary relationship with you.</p> <p>It is important for you to understand that when our registered representative make a brokerage recommendation to you, we are obligated to ensure the recommendation is in your best interest, considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us. You may accept or reject any recommendation. It is also your responsibility to monitor the investments in your brokerage account, and we encourage you to do so regularly. We do not provide on-going monitoring of your brokerage account.</p> <p>Please also consider that from time to time we may provide you with additional information and resources to assist you with managing your brokerage account. This may include but is not limited to educational resources, sales and marketing materials, performance reports, asset allocation guidance, and/or periodic brokerage account reviews. When we offer these services and information, we do so as a courtesy to you. These activities are not designed to monitor specific investment holdings in your brokerage account, they do not contain specific investment recommendations about investment holdings, and you should not consider them a recommendation to trade or hold any particular securities in your brokerage account. Upon your request, we will review such information and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to do so</p>										
<p><b>Clearing Services</b></p>	<p>BRS has entered into an agreement with NFS, the clearing firm, to carry your account and provide certain back office functions. BRS and NFS share responsibilities with respect to your account as set forth in your new account agreement that was delivered to you upon opening of your account. Please refer to the new account agreement for more information on how such responsibilities have been allocated between us.</p>										
<p><b>Understanding Risk and Investment Objectives</b></p>	<p>It is important for you to understand that all investment recommendations and activities involve risk, including the risk that you may lose your entire principal. Further, some investments involve more risk than other investments. Higher-risk investments may have the potential for higher returns but also for greater losses. The higher your “risk tolerance,” meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more you may decide to invest in higher-risk investments offering the potential for greater returns. You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs. Please notify your registered representative promptly if your financial situation or investment objectives change.</p> <p>Below are six common investment objectives and associated risk tolerance. As the account owner, it is up to you to select the account’s investment objective. Neither BRS nor NFS can assure you that any given investment or strategy will achieve your investment objective. For more information about risk and investment objectives, please contact your registered representative or refer to the customer agreement.</p> <table border="1" data-bbox="428 1365 1523 1948"> <thead> <tr> <th data-bbox="428 1365 941 1402">Investment Objectives</th> <th data-bbox="941 1365 1523 1402">Typical Investments</th> </tr> </thead> <tbody> <tr> <td data-bbox="428 1402 941 1524"> <p><b>Preservation of Capital</b></p> <ul style="list-style-type: none"> <li>• seek to maintain principal</li> <li>• interested in investments with very low historical risk of loss of principal</li> </ul> </td> <td data-bbox="941 1402 1523 1524"> <ul style="list-style-type: none"> <li>• money market funds</li> <li>• high-quality short-term fixed-income investments</li> </ul> </td> </tr> <tr> <td data-bbox="428 1524 941 1667"> <p><b>Income</b></p> <ul style="list-style-type: none"> <li>• seek to generate income from investments</li> <li>• interested in investments with low historical risk of loss of principal</li> </ul> </td> <td data-bbox="941 1524 1523 1667"> <ul style="list-style-type: none"> <li>• high-quality short- and medium-term fixed-income investments</li> <li>• short-term bond funds</li> <li>• covered call options</li> </ul> </td> </tr> <tr> <td data-bbox="428 1667 941 1810"> <p><b>Capital Appreciation</b></p> <ul style="list-style-type: none"> <li>• seek to grow principal value over time</li> <li>• willing to invest in securities with moderate to above-average historical risk of loss of principal</li> </ul> </td> <td data-bbox="941 1667 1523 1810"> <ul style="list-style-type: none"> <li>• common stocks</li> <li>• lower-quality medium-term fixed-income investments</li> <li>• equity mutual funds or index funds</li> </ul> </td> </tr> <tr> <td data-bbox="428 1810 941 1948"> <p><b>Speculation</b></p> <ul style="list-style-type: none"> <li>• seek a significant increase in principal</li> <li>• willing to accept a correspondingly greater degree of risk by investing in securities with high historical risk of loss</li> </ul> </td> <td data-bbox="941 1810 1523 1948"> <ul style="list-style-type: none"> <li>• lower-quality long-term fixed-income investments</li> <li>• initial public offerings (IPOs)</li> <li>• volatile or low-priced common stocks</li> <li>• equity or index options strategies such as puts or</li> </ul> </td> </tr> </tbody> </table>	Investment Objectives	Typical Investments	<p><b>Preservation of Capital</b></p> <ul style="list-style-type: none"> <li>• seek to maintain principal</li> <li>• interested in investments with very low historical risk of loss of principal</li> </ul>	<ul style="list-style-type: none"> <li>• money market funds</li> <li>• high-quality short-term fixed-income investments</li> </ul>	<p><b>Income</b></p> <ul style="list-style-type: none"> <li>• seek to generate income from investments</li> <li>• interested in investments with low historical risk of loss of principal</li> </ul>	<ul style="list-style-type: none"> <li>• high-quality short- and medium-term fixed-income investments</li> <li>• short-term bond funds</li> <li>• covered call options</li> </ul>	<p><b>Capital Appreciation</b></p> <ul style="list-style-type: none"> <li>• seek to grow principal value over time</li> <li>• willing to invest in securities with moderate to above-average historical risk of loss of principal</li> </ul>	<ul style="list-style-type: none"> <li>• common stocks</li> <li>• lower-quality medium-term fixed-income investments</li> <li>• equity mutual funds or index funds</li> </ul>	<p><b>Speculation</b></p> <ul style="list-style-type: none"> <li>• seek a significant increase in principal</li> <li>• willing to accept a correspondingly greater degree of risk by investing in securities with high historical risk of loss</li> </ul>	<ul style="list-style-type: none"> <li>• lower-quality long-term fixed-income investments</li> <li>• initial public offerings (IPOs)</li> <li>• volatile or low-priced common stocks</li> <li>• equity or index options strategies such as puts or</li> </ul>
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	<p>of principal</p> <p><b>Trading Profits</b></p> <ul style="list-style-type: none"> <li>seek to take advantage of short-term trading opportunities (a high-risk strategy)</li> </ul> <p><b>Growth and Income</b></p> <ul style="list-style-type: none"> <li>seek a mix of growing principal value and generating income from investments</li> <li>willing to invest in securities with moderate historical risk of loss of principal while having the potential to pay income</li> </ul>	<p>calls, spreads, straddles, and combinations</p> <ul style="list-style-type: none"> <li>short-term or day-trading strategies</li> </ul> <ul style="list-style-type: none"> <li>short-term purchases and sales of volatile or low-priced common stocks</li> <li>equity or index options strategies such as puts or calls, spreads, straddles, and combinations</li> </ul> <ul style="list-style-type: none"> <li>common stocks</li> <li>medium-term fixed-income investments</li> <li>growth and Income mutual funds</li> </ul>
<b>Cash Sweep Account Feature</b>	<p>Your account (except DVP/RVP accounts) includes a core account that is used for settling transactions and holding credit balances. Amounts credited to your core account will be invested in the core account investment vehicle you indicate on your account application. You understand that if you do not select a core account investment vehicle, or if you are or become a non-U.S. customer with a free credit balance who then returns to the U.S., you authorize us or NFS to use the default option as the core account investment vehicle. This will either be a specific money market mutual fund, in which event we will provide the prospectus for that fund, or a bank sweep product, in which event we will provide a disclosure document describing that product in detail. Different core account investment vehicles may have different rates of return and different terms and conditions, such as FDIC insurance or SIPC protection. If you do not select a core account investment vehicle, we or NFS may not consider these differences when selecting a default core account investment vehicle for you. Please review brokerage account customer agreement for more information about this account feature.</p>	
<b>Account Minimums and Activity Requirements</b>	<p>There is no minimum initial account balance required to open a brokerage account with BRS. However, if you either fail to fund your account or do not return account opening documents as required, your account will be closed. In addition, some types of brokerage accounts have minimum account activity requirements and/or minimum on-going balance requirements that must be maintained, or your brokerage account will be charged an annual inactivity fee or closed. These requirements are detailed in the account agreement(s) you receive when you open your brokerage account.</p>	

## II. Brokerage Service Models and Products:

BRS is an introducing, full-service brokerage firm, clearing through NFS. Our trading desks specialize in trading various securities including equities, options, exchange traded funds, corporate bonds, and U.S. government securities. Your account(s) will be assigned to a registered representative(s) who receive and route your orders to appropriate trading desks for execution. Our Research Department also provides clients with proprietary equity research products and access to issuer's management team.

Our Capital Markets Department provides clients access to purchase securities from the Firm's underwritten or syndicate transactions, including initial public offerings (IPOs), follow-on or secondary offerings, at-the-market ("ATM") offerings and Regulation D offerings such as private investment in public equity ("PIPE"). Through our agreement with NFS, we also provide our clients ability to participate in syndicate transactions in which NFS underwrites or involves as a selling group member.

In addition, through our affiliated registered investment advisor, B. Riley Capital Management, LLC ("BRCM"), we also provide our institutional and high net-worth "accredited investors" access to invest in hedge funds or other alternative investments managed by BRCM.

## III. Brokerage Fees and Our Compensation:

It is important to consider that while a brokerage relationship can be a cost-effective way of investing your assets, it is not for everyone given the fees and costs.

<b>Transaction-Based Fees</b>	<p>You will pay transaction-based fees for trades you decide to enter into, such as buying and selling stocks, bonds, Exchange Traded Products (ETPs), mutual funds, options, exercising options and other investment purchases and sale. These transaction-based fees are generally referred to as a "commission," "mark up," "sales load," or a "sales charge." Transaction-based fees are based on several factors, including, but not limited to:</p> <ul style="list-style-type: none"> <li>Underlying product selection</li> <li>Your brokerage service model and account type</li> </ul>
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	<ul style="list-style-type: none"> <li>• Size of your transaction and/or overall value of your account</li> <li>• Frequency of your trade activity</li> <li>• Available discounts and/or fee waivers</li> </ul> <p>These fees are charged to your account at the time of the transaction. Transaction-based fees and costs may present a conflict of interest between you and the registered representative as the registered representative is compensated by such fees and costs which also lower your return in investment. Please review your trade confirmations and statements to ensure that all trading is consistent with your investment objectives.</p>
<p><b>Account, Operational, and Service Fees</b></p>	<p>You will pay fees for various operational services provided to you through your brokerage account. These fees are set at least annually and communicated to you through information included in your account statement and other notifications. These fees do not apply to all account types and may be waived under certain conditions.</p> <p>You should understand that based on the brokerage service model you choose, the same or similar products, accounts and services may vary in the fees and costs charged to you. For more information concerning our administrative and service fees, visit our website at <a href="https://brileyfin.com/disclosures/">https://brileyfin.com/disclosures/</a>.</p>
<p><b>How We Are Compensated</b></p>	<p>We receive direct compensation in connection with your accounts. Direct compensation is primarily in the form of transaction-based commissions charged to the affected account based on the number of shares or units or marking up/down to the price executed in the account. While the commission rate or mark up/down may vary depending on several factors, such as quantity, liquidity, and price, the sections below describe the average compensation that we receive in connection with various investments that may be available to you.</p> <ul style="list-style-type: none"> <li>• <b>Equities, Rights &amp; Warrants, Units</b> (commission ranging from \$0.01 to \$0.04 per share)</li> <li>• <b>Fixed Income</b> (mark up/down up to 5.00% of principal amount)</li> <li>• <b>Options</b> (commission of \$1 per contract)</li> <li>• <b>Mutual Funds</b> (refer to the fund prospectus or offering document for details) <ul style="list-style-type: none"> <li>○ Annual 12b-1 shareholder service fees, also known as trails, are paid to us by the fund out of the fund assets according to the distribution and servicing arrangement to cover distribution expenses and sometimes shareholder service expenses that we may provide on the fund's behalf. These fees range from 0.00% to 1.00%.</li> <li>○ Front-end sales charge fees or Contingent deferred sales charges (CDSC)</li> </ul> </li> <li>• <b>Revenue Sharing: Cash Sweep Program/Bank Deposit Sweep.</b> Our clearing firm, NFS offers bank deposit sweep products. Under the arrangement, NFS sweeps idle cash into an FDIC insured interest-bearing fund. The revenue that NFS derives from these products is shared, in part, with BRS.</li> </ul>

#### IV. Conflicts of Interest:

Conflicts of interest exist when we provide brokerage services to you. A conflict of interest is a situation in which we engage in a transaction or activity where our interest is materially adverse to your interest. The mere presence of a conflict of interest does not imply that harm to your interests will occur, but it is important that we acknowledge the presence of conflicts. Moreover, our regulatory obligations require that we establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with our recommendations to you.

Our conflicts of interest are typically the result of compensation structures and other financial arrangements between us, our registered representatives, our clients, our affiliates and third parties. We offer a broad range of investment services and products and we receive various forms of compensation from our clients, affiliated and non-affiliated product providers and money managers, and other third parties as described above. Securities rules allow for us, our registered representatives, and our affiliates to earn compensation when we provide brokerage services to you. However, the compensation that we and our registered representatives receive from you varies based upon the product or service you purchase, which creates a financial incentive to recommend investment products and services that generate greater compensation to us.

We are committed to taking appropriate steps to identify, mitigate and avoid conflicts of interest to ensure we act in your best interest when providing brokerage recommendations to you. Below you will find additional information related to our conflicts of interest.

From time to time, our registered representatives may recommend products or services offered by one our affiliates. Such recommendations may provide additional compensation to the registered representative over third party products and service which could represent a conflict of interest. The Firm will take steps to mitigate such conflicts and will notify you whenever we recommend products or services offered by our affiliates.

This information is not intended to be an all-inclusive list of our conflicts, but generally describes those conflicts that are material to your brokerage relationship. In addition to this disclosure, conflicts of interest are disclosed to you in your account agreement(s) and disclosure documents, our product guides and other information we make available to you.

<p><b>Compensation We Receive from Clients</b></p>	<p><b>Transaction-based conflicts</b></p> <p>In your brokerage account, you pay certain fees (commissions and sales charges) in connection with the buying and selling of each investment product, including mutual funds, variable annuities, alternative investments, exchange traded funds, equity securities, and bonds. Where these fees apply, the more transactions you enter into, the more compensation that we and your financial advisor receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. We also have an incentive to recommend that you purchase investment products that carry higher fees, instead of products that carry lower fees or no fees at all.</p> <p><b>Markups and markdowns for principal transactions</b></p> <p>When you buy or sell securities in a brokerage account, and in accordance with industry regulations, we may impose a markup (increase) or markdown (decrease) in the price of transactions we execute on a principal basis. We are compensated based upon the difference (markup) between the price you pay for securities purchased from us and the price we sell such securities to you over the prevailing market price, or the difference (markdown) between the price you sell securities to us and the price we purchase such securities from you over the prevailing market price. We maintain policies and procedures reasonably designed to help ensure compliance with the markup and markdown industry rules.</p> <p><b>Account maintenance and other administrative fees</b></p> <p>For the services we provide or make available to you with respect to your brokerage account, we charge certain account maintenance and other administrative fees, including transfer, wire, or other miscellaneous fees, as described in the fee schedule provided to you on an annual basis. The higher the fees we charge, the more we are compensated.</p>
<p><b>Compensation We Receive from Third Parties</b></p>	<p>Third-party payments we receive may be based on new sales of investment products, creating an incentive for us to recommend you buy and sell, rather than hold, investments. In other cases, these payments are made on an ongoing basis as a percentage of invested assets, creating an incentive for us to recommend that you buy and hold investments (or continue to invest through a third-party manager or adviser).</p> <p>The total amount of payments we receive varies from product to product and varies with respect to the third-party investment management products we recommend. It also varies from the compensation we receive in connection with other products and services we may make available to you. We have an incentive to recommend investment products and services that generate greater payments to us. This compensation generally represents an expense embedded in the investment products and services that is borne by investors, even where it is not paid by the Product Sponsor and not directly from the investment product or other fees you pay. The types of third-party compensation we receive include:</p> <ul style="list-style-type: none"> <li>• <b>Revenue Sharing.</b> See the Revenue Sharing discussion above.</li> <li>• <b>Trail Compensation.</b> Ongoing compensation from Product Sponsors may be received by us and shared with our registered representatives. This compensation (commonly known as trails, service fees or Rule 12b-1 fees in the case of mutual funds) is typically paid from the assets of the investment product under a distribution or servicing arrangement and is calculated as an annual percentage of invested assets. The amount of this compensation varies from product to product. We have an incentive to recommend that you purchase and hold interests in products that pay us higher trails.</li> </ul> <p><b>Additional Compensation from Product Sponsors and Other Third Parties</b></p> <p>We and our registered representatives, associates, employees, and agents receive additional compensation from Product Sponsors and other third parties including:</p> <ul style="list-style-type: none"> <li>• Gifts and awards, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospective clients.</li> <li>• Payment or reimbursement for the costs associated with education or training events that are attended by our employees, agents, and registered representatives, and for conferences and events that we sponsor.</li> <li>• Reimbursement from Product Sponsors for research and technology-related costs, such as those to build systems, tools, and new features to aid in servicing clients. Additionally, we and our affiliates receive compensation from Product Sponsors to provide aggregate sales data.</li> </ul>

	<p>Note: The amount of these payments is not dependent or related to the level of assets you or any other client invests in or with the Product Sponsor.</p> <p><b>Product Share Classes</b></p> <p>Some Product Sponsors offer multiple structures of the same product (e.g., mutual fund share classes) with each option having a unique expense structure, and some having lower costs to you as compared to others. We are incentivized to make available those share classes or other product structures that will generate the highest compensation to us.</p> <p><b>Compensation Related to Proprietary Products</b></p> <p>Brokerage recommendations can include a recommendation to invest in a product or service that is managed, issued or sponsored by us or our affiliates. We and our affiliates will receive additional compensation or economic benefits from investments by you in such products, including, but not limited to, management credits, service fees and similar revenue sharing arrangements. The compensation related to these may be greater than similar products provided by third parties. Thus, we have an incentive to recommend investments in proprietary or affiliated products.</p>
<p><b>Compensation Received by Your Registered Representative(s)</b></p>	<p>Registered representatives are compensated in a variety of ways based on the percentage of revenue generated from sales of products and services to clients including brokerage account activity. This compensation may vary by the product or service associated with a brokerage recommendation. In addition to upfront transaction-based compensation, some products feature on-going residual or “trail” payments. Thus, registered representatives are incentivized to recommend products that have higher fees as well as those with on-going payments.</p> <p>Typically, a registered representative’s payout schedule (periodically adjusted by us at our discretion) increases with production and asset levels. The same payout schedule is reduced when registered representative discount certain client fees and commissions, or client relationship asset levels are below minimums established by us from time to time. Registered representative also may be eligible for annual or ongoing bonuses and deferred compensation awards based upon a variety of factors that may include reaching certain production levels, tenure with the firm, client product mix, asset gathering, referrals to affiliates or other targets, as well as compliance with our policies and procedures and meeting best business practices.</p> <p>As a result, registered representatives have an incentive to provide brokerage recommendations that result in selling more investment products and services, as well as investment products and services that carry higher fees. Registered representatives also have an incentive to provide brokerage recommendations to gather more assets under management and to increase brokerage trading activity, and to reduce the amount of discounts available to you.</p> <p>Financial advisors have an incentive to recommend you rollover assets from a Qualified Retirement Plan (QRP) to a brokerage Individual Retirement Account (IRA) because of the compensation they will receive. We maintain policies and procedures designed to ensure that rollover recommendations are in your best interest.</p> <p><b>Other Registered representative Activities</b></p> <p>Registered representatives may be motivated to place trades ahead of clients in order to receive more favorable prices than their clients.</p> <p>Registered representatives who are transitioning through a succession plan may be incentivized to make brokerage recommendations designed to increase the value of their “book of business” through asset accumulation or brokerage trades that are not in your best interest. Registered representatives who receive clients from a retiring financial advisor are incentivized to meet growth goals and may make recommendations not in your best interest.</p> <p>Internal campaigns and recognition efforts incentivize Registered representatives to engage in activities to reach incentive goals.</p>

## V. Additional Resources:

B. Riley Securities, Inc.

Form CRS

Legal Disclosures

Account, Operational and Service Fees

<https://brileyfin.com>

[https://files.brokercheck.finra.org/crs\\_25027.pdf](https://files.brokercheck.finra.org/crs_25027.pdf)

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