



# WEDBUSH SECURITIES INC. CUSTOMER RELATIONSHIP SUMMARY FORM CRS

Wedbush Securities Inc. (hereinafter, "Wedbush") is a full-service securities broker-dealer and investment adviser registered with the Securities and Exchange Commission ("SEC"), and the Financial Regulatory Authority ("FINRA") and a member of the Securities Investor Protection Corporation ("SIPC").

Broker-dealer and investment advisory services and fees differ and it is important for an investor to understand the difference and carefully consider which types of accounts and services are right for you. Free and simple tools to research information about brokers' and advisers' different services and fees are available at [www.investor.gov/CRS](http://www.investor.gov/CRS) which also provides educational materials about broker-dealers, investment advisers, and investing.

## What investment services and advice can you provide me?

Wedbush makes recommendations to retail investors of both broker-dealer and investment advisory services.

### Broker-Dealer Services

The services we offer as a broker-dealer include buying and selling mutual funds, exchange traded funds (ETFs), domestic and international equities, options, fixed income securities, certificates of deposit (CDs), structured products, insurance and variable annuities. We do not monitor your brokerage account. Wedbush does not maintain discretionary authority on any retail brokerage accounts.

### Investment Advisory Services

Wedbush offers investment advice and portfolio management services to retail investors on a discretionary and nondiscretionary basis. For products offered on a non-discretionary basis, you make the ultimate decision regarding the purchase or sale of investments. For products offered on a discretionary basis, you grant your financial professional or a third-party manager the ultimate authority to make investment decisions on your behalf.

Wedbush offers several different advisory programs utilizing individual securities, asset allocation services, mutual funds, ETF's and managed portfolios from third-party investment managers. The third-party managers we make available to you will invest your account on a discretionary basis using mutual funds, ETFs and other securities. Generally, our advisory services are offered through "wrap fee" programs (as described below). Additionally, there are certain proprietary strategies Wedbush manages and advises whereby it receives additional fees.

A wrap fee is a fee, generally, assessed annually and typically charged quarterly to cover investment advice, execution, clearing, settlement services, custody of assets, and administrative services. Certain wrap fee programs offered by independent contractors may charge fees in addition to the wrap fees. Wedbush also offers non-wrap fee, transaction-based-fee and assets under management fee-based advisory account programs. Additionally, Wedbush offers financial planning services to retail investors. Your financial professional may also charge a separate fee for financial planning services. Investment advisory accounts typically require a minimum investment. See your financial professional regarding the different advisory accounts for more information.

Your investment advisory accounts will be monitored on an ongoing basis by your financial professional.

**Additional information:** For additional information, please refer to Form ADV Part 2A Disclosure Brochure (including Items 4A and 5) for Investment Advisory services and the Regulation Best Interest Disclosure Document for Broker-Dealer services.

### **Conversation Starters – Ask your financial professional:**

- Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?
- How will you choose investments to recommend to me?
- What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?

## **What fees will I pay?**

### **Broker-Dealer Accounts**

Depending on the product and service offered, you will pay transaction-based fees also known as a commission whenever an investment is purchased or sold. Some products require a minimum holding period which would incur an additional fee if sold or surrendered prior to the expiration of the period. In a brokerage account, you may be subject to other fees such as a custodian fee, account maintenance fee, execution or trade/ticket charge and internal expenses of certain products. For equities, ETF's and other equity securities, you will pay a commission based on the specific transaction and not on the value of your account. For other investments such as bonds and other fixed income securities which Wedbush executes as principal rather than agent, the fee you pay will be part of the investment cost, also known as a "Mark-up" or "Mark-down" of the price of the investment. For mutual funds and certain alternative investments, the fee you pay (depending upon the share class) may reduce the value of the investment, also known as a "Sales load," and is typically calculated as a percentage of the overall dollar value of the investment. Additionally, for certain managed products, you will pay annual internal expense fees, also known as "Expense ratios," typically calculated as a percentage of the overall amount invested in the fund. Certain mutual fund share classes also charge annual management expense fees. Some alternative investments (e.g., private equity funds, hedge funds, etc.) may also charge performance-based fees and/or placement fees paid to your financial professional and typically calculated as a percentage of the overall amount invested. With respect to alternative investments, the product sponsor will pay the representative a sales commission and the broker dealer is also paid a commission or fee. For insurance and annuity products, the commission paid is typically a percentage of the premium built into the policy. Depending on the type of insurance product, the insurance company also charges annual fees known as Mortality, Expense and Administration fees. Fees may vary depending upon the insurance carrier.

### **Investment Advisory Accounts**

With respect to advisory wrap accounts, clients will pay an annual fee, (charged on a quarterly basis) that is based on the value of assets being managed in the account. This fee covers investment advisory services provided, by our financial advisors, the Wedbush Asset Management division and/or independent portfolio manager(s). Fees for custodial services and trade execution through or with our firm will be in addition to the wrap account fees. The fees charged for participation in wrap fee programs may be higher than if the client were to purchase the individual securities without participation in wrap fee accounts. Wrap fee accounts may be terminated by the client at any time and terminations will result in a pro-rata return of fees billed but not yet incurred. Fees charged by Wedbush for their services would be described and disclosed on our Form ADV and in your Wedbush Client Agreement. Fees charged by the independent contractor platform for their services would be described and disclosed separately in the money manager's client agreement and disclosure statement. If you engage a financial professional in the independent contractor platform, you may be charged additional fees in addition to the wrap fee. Some of the financial professionals may personally absorb these charges rather than assessing these charges to you. The financial professional will have a potential conflict of interest in that they would have an incentive to place fewer trades in your account in order to avoid these costs and thereby increase their own compensation.

**Additional information:** You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. For additional information, please refer to the Form ADV Part 2A Disclosure Brochure (including Items 4A and 5) for Investment Advisory services and the Regulation Best Interest Disclosure Document for Broker-Dealer services.

**Conversation Starters – Ask your financial professional:**

Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

**What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

*When we provide you with a recommendation as your broker-dealer or act as your investment adviser, we are required to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide you. The following are examples to help you understand what this means.*

**Broker-Dealer Accounts**

The more transactions that occur in your account, the more fees or commissions we charge you. We therefore have an incentive to encourage you to engage in transactions and this presents a potential conflict. We can buy investments from you, and sell investments to you, from our own accounts (called “**acting as principal**”). We can earn a profit on these trades, so we have an incentive to encourage you to trade with us.

We also receive additional fees from product sponsors for products such as mutual funds, variable insurance/annuity products and alternative investments such as REITs, hedge funds, etc. In addition, we also receive marketing fees from some product sponsors to appear at our educational events and advertise in our internal communications

**Investment Advisory Accounts**

The more assets you have in an advisory account, including cash, the more you will pay us. We therefore have an incentive to increase the assets in your account in order to increase our fees. You pay our fee quarterly even if you do not buy or sell. Paying for a wrap fee program could cost more than separately paying for advice and for transactions if there are infrequent trades in your account. We can buy investments from you, and sell investments to you, from our own accounts (called “**acting as principal**”), **but only with your specific approval on each transaction**. We can earn a profit on these trades, so we have an incentive to encourage you to trade with us.

**Additional information:** For additional information, please refer to the Form ADV Part 2A Disclosure Brochure (including Items 4A and 5) for Investment Advisory services and the Regulation Best Interest Disclosure Document for Broker-Dealer services.

**Conversation Starters – Ask your financial professional:**

How might your conflicts of interest affect me and how will you address them?

## How do your financial professionals make money?

### Broker-Dealer Financial Professional Compensation

Broker-Dealer financial professionals receive a percentage of commissions generated by the products they sell. Some products may pay a commission higher than others. As such, financial professionals have an incentive to sell higher commission products. In addition, certain products such as mutual funds and variable annuities pay additional compensation on a periodic basis based on fees paid by the retail investor. Financial professionals may receive compensation based on factors not directly related to product sales, such as accumulation of assets, recruiting or other factors.

### Investment Adviser Financial Advisor Compensation

Investment Adviser financial professionals receive a percentage of the management or advisory fees collected from your account. Different product strategies and/or managers may charge higher fees than others, and your financial professional has an incentive therefore to place you in higher fee strategies.

Compensation received by our broker dealer and investment adviser independent contractor platform are higher than compensation received by our Wedbush employee financial professionals.

### Do you or your financial professionals have legal or disciplinary history?

Yes. Investors are encouraged to visit the Investment Adviser Public Disclosure website at <https://adviserinfo.sec.gov/> as well as the FINRA BrokerCheck website at <https://brokercheck.finra.org/> for publicly available information about Wedbush and its registered representatives. Additionally, investors should visit [www.investor.gov/CRS](http://www.investor.gov/CRS) for a free and simple search tool to research you and your financial professionals.

#### Conversation Starters – Ask your financial professional:

As a financial professional, do you have any disciplinary history? For what type of conduct?

**Additional information:** If you would like additional, up to date information, or a copy of the most recent Form CRS, see [www.wedbush.com/disclosures](http://www.wedbush.com/disclosures) or contact Wedbush at [compliance@wedbush.com](mailto:compliance@wedbush.com) or (213) 688-8000.

#### Conversation Starters – Ask your financial professional:

- Who is my primary contact person?
- Is he or she a representative of an investment adviser or broker-dealer?
- Who can I talk to if I have concerns about how this person is treating me?

## REGULATION BEST INTEREST DISCLOSURE

Wedbush Securities Inc. (“Wedbush” or our “Firm”) is dually-registered with the U.S. Securities and Exchange Commission (the “SEC”) as a broker-dealer and as an investment adviser. This means we can provide you with brokerage services or investment advisory services (or both), depending on your needs and preferences.

As a valued brokerage client of Wedbush, you are receiving this Regulation Best Interest Disclosure to help you better understand the brokerage services we provide and the scope and terms of our brokerage relationship with you. Together with certain additional information that our Firm and your individual Wedbush financial professional will provide to you prior to or at the time we recommend a specific securities transaction (or investment strategy involving securities) for your brokerage account, this Disclosure is intended to satisfy certain requirements that apply to us under the SEC’s Regulation Best Interest.

You should read this Disclosure carefully, and as always, we encourage you to contact your Wedbush financial professional if you have any questions.

Specifically, this disclosure provides you with important information about the scope and terms of our brokerage relationship with you, including:

- the capacity (as your broker) in which we are acting when we recommend account types, securities, or strategies involving securities, to you;
- the type and scope of our brokerage services, including our overall investment philosophy and approach;
- material fees and costs that apply to your transactions, holdings, and accounts;
- material limitations on our brokerage services and recommendations; and
- conflicts of interest associated with our recommendations as your broker.

Except as specifically noted otherwise, the discussions in this Disclosure apply to our brokerage services, and not our investment advisory services. Likewise, they apply to our relationships with “retail” customers. This means individuals (including their legal representatives) to whom we provide investment recommendations that are used primarily for personal, family, or household purposes. When we provide investment recommendations and other services to, or on behalf of, other types of investors (for example, corporations, pension plan trustees, etc.), different rules may apply.

### OUR CAPACITY AS YOUR BROKER

**All recommendations of securities transactions (and investment strategies involving securities) that are made by Wedbush and your Wedbush financial professional regarding your brokerage account will be made in our Firm’s capacity as your brokerage firm, and your financial professional’s capacity as an associated person of a brokerage firm, respectively.**

As explained in our Firm’s Form CRS (Customer Relationship Summary), there are important differences between brokerage and investment advisory services and fees. It is important for you to understand that, where we provide you with brokerage services (i.e., a brokerage account) we are not acting as your investment adviser. As noted above, as a firm Wedbush is registered as both a broker-dealer and an investment adviser, but we only act as an investment adviser with respect to advisory relationships and accounts.

One important difference is that – as your broker – we are compensated through commissions and other transaction-based charges. For investment advisory services (i.e., an advisory account) our primary compensation is investment advisory fees

(including “wrap fees” within our wrap fee programs) that are typically based on a percentage of your advisory account assets.

We encourage you to review our Customer Relationship Summary for an explanation of the differences between brokerage and investment advisory services, and ask your Wedbush financial professional to assist you with any questions you may have.

If you have both a brokerage account and an advisory account with Wedbush, and your financial professional makes investment recommendations to you with respect to both accounts, he or she will explain to you orally whether a particular recommendation is for your brokerage account, your advisory account, or both. Your financial professional will explain this at the time the recommendation is made.

## TYPE AND SCOPE OF OUR BROKERAGE SERVICES

As explained in our Customer Relationship Summary, as your broker-dealer we buy and sell securities and other investment and insurance products for you. As part of our services, we can provide you with investment recommendations. We can also provide you with research, general investment education, custody and other services that are incidental to (i.e., in support of) our brokerage services.

In all cases, you make the ultimate decision regarding the purchase or sale of investments. From time to time, your financial professional may review the holdings in your brokerage account to determine whether or not to make additional recommendations, but we do not monitor your brokerage account investments after purchase. We do not generally impose account or investment minimums to open a brokerage account, but some funds and other investment products we make available do impose minimum investment requirements.

We offer different types of brokerage accounts. For example, we offer individual retirement accounts (IRAs), Coverdell Education Savings Accounts and other brokerage accounts held at Wedbush. We offer accounts that allow you to trade option contracts, and to otherwise invest on margin (i.e., through borrowed funds). In other cases, brokerage assets may be in “direct-held” accounts – for example, IRAs or other accounts held directly by and with a mutual fund family, or a state’s 529 (College Savings) Plan.

**Margin Lending.** We offer a margin lending service for your brokerage account (a “margin account”). Margin lending means that you borrow money from us to invest. You will need to use a margin account if you trade uncovered option contracts, or in certain other situations.

**Cash Sweep.** We offer a “cash sweep” program for uninvested cash in your brokerage account. Under our program, uninvested cash is automatically “swept” into accounts held with various third-party banks who are FDIC-insured. These participating banks pay interest on these deposits – part of the interest is credited to your account, and part of the interest is paid to Wedbush for our administration and management of the program.

**Our General Investment Philosophy and Approach.** Our belief is that investing should be personalized for each client. We do not believe in a “one size fits all” approach. Also, it is not our philosophy to limit the investments we offer and recommend to a narrow menu, or only to proprietary products. While we believe that not every investment is suitable for every investor, our preference is to offer a wide variety of options for you to choose from, and to allow your Wedbush financial professional to help you construct a unique portfolio that suits your needs and preferences.

When your Wedbush financial professional recommends securities, or strategies involving securities, to you, he or she will consider the potential risks, rewards and costs in light of your investment profile. Your “profile” includes your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information you share with us. And, your Wedbush financial professional will only make a recommendation to you if – at the time of the recommendation – he or she has a reasonable basis to believe that it would be in your best interest, and would not place our Firm’s interest (or the financial professional’s interest) ahead of yours. Before

recommending a particular investment to you, we will also consider other reasonably available alternatives.

## MATERIAL FEES AND COSTS

**If you engage Wedbush to provide you with brokerage services, you will pay certain fees and costs.**

Some fees and costs are charged to your brokerage account for various services and expenses that do not necessarily depend on the specific investments you select. They include, but are not limited to, the following:

- Each time you sell an investment, we will typically charge you a \$5.95 transaction fee to help offset certain expenses we incur relating to settlement and clearance of your trade.
- For IRAs held at Wedbush, we typically charge a \$20 initial fee to set up the IRA, and an annual fee of \$35 to compensate us for our custody, administrative and other services.
- We will charge you a fee for each wire transfer we process – typically \$20 for domestic wires and \$25 for international wires.
- If you open a margin account, we will charge you interest on the funds we lend to you for investment. Typically, the annual interest rate is between 5.5% and 7.5% depending on the amount you borrow, and certain other factors.
- Within our cash sweep program, we retain a portion of the interest paid by the participating banks for our administration and management of the program. Theoretically the annual interest rate we receive could be up to 5%, but typically is between 0.3% and 1.5% depending on the current market interest rates and other factors.

**Before we open a brokerage account for you, we will furnish you with a more comprehensive list of our *Current Fees* at the applicable time. The fees listed above are offered as examples, and are not an exhaustive list.**

**You will also pay - directly or indirectly - certain additional fees and costs that are particular to certain investments and investment transactions.** Below we summarize the material fees and costs associated with the majority of investments and insurance products that Wedbush and our financial professionals may recommend and sell to you as a retail customer. If we recommend an investment to you that is not addressed below, you will receive information about material fees and costs at the time or before the recommendation is made. Further, in many cases (and as required) we will provide additional, more detailed information with respect to the fees and costs associated with any specific investment or insurance product we recommend to you.

**Mutual Funds.** Mutual fund shares come in different classes, each with different fees and fee structures. The specific fee and fee structure of each share class, including the amount charged and when it is collected, vary depending on the particular mutual fund and are described in the mutual fund's prospectus. Not all share classes are available to all account types and/or investment strategy programs. The principal differences among the classes are the fees and expenses charged by the mutual fund. Fees and expenses in a mutual fund reduce the net asset value of the fund and the investment return. You should review the fund prospectus prior to purchasing a mutual fund; a copy of each fund prospectus is provided with your confirmation.

- **Up-Front Sales Charges** – You will pay up-front sales charges to the applicable mutual funds upon the purchase as described in the prospectus. Many mutual funds allow for a reduction or waiver of the up-front sales charge based upon, among other things, the amount of your total investments in the particular mutual fund family, investor type, as well as the type of account in which the assets are invested. The sales charges range from 0% to 5.75% and reduce the amount of your principal investment.
- **Back-End Sales Charges** – These are sales charges that are applied by the applicable mutual fund upon the sale of a mutual fund share within a specified number of years (varies by prospectus). These sales charges are also referred to



as Contingent Deferred Sales Charge or CDSC. These charges generally range from 1% to 5.5%, and typically are 4% for B shares and 1% for C shares. These charges can be reduced or eliminated based on how long the shares are held as described in the prospectus.

- **12b-1 Fees** – Many mutual funds pay a 12b-1 fee to Wedbush directly from the fund’s assets on a monthly or quarterly basis. Like other fees and expenses in the mutual fund, the payment of 12b-1 fees reduces the investment return. The amount of the 12b-1 fees paid varies among funds and share classes but is disclosed in the fund prospectus. The typical ranges for 12b-1 fees for A shares is between .15%-.50%, B shares .85% to 1.00%, and C shares .75% to 1.00%.

In many cases we also receive networking and shareholder servicing fees for our sub-accounting (or “sub-transfer agent”) services to the funds, which may range from 0.02% to 0.3% annually. All of these charges reduce the value of your mutual fund investment.

In addition, when you invest in a mutual fund, you will pay (indirectly, through deductions from your investment) your pro rata share of the investment management fees, auditor fees and other ongoing expenses incurred by the fund. Expressed as an annual percentage, these expenses are referred to as the fund’s expense ratio. Fund expense ratios differ significantly, but on average, independent data indicates that expense ratios for index (passively-managed) mutual funds usually average about 0.2%, while expense ratios for most actively-managed funds range from 0.5% to 1.0%, and in some cases may be as high as 2.5%. A fund’s expense ratio, sales charges and other important information are described in its prospectus. We encourage you to carefully review a fund’s prospectus before investing.

**Exchange-Traded Funds (ETFs).** Each time you buy or sell shares of an ETF, we will charge your brokerage account a commission. There is a minimum commission fee of \$70 per transaction and will increase from there as a percentage of the purchase or sale amount. The maximum commission (which can be discounted) is the greater of: 5% of the principal value or \$.10 per share. The dollar amount of the commission we charge will increase the larger the trade is, but the commission rate (i.e., as a percentage of the trade) will typically decrease the larger the trade is. Therefore, for any given dollar amount of total trading, a small number of large trades will usually cost you less money than a large number of small trades. The commission amount will be reflected on your trade confirmation.

**Equities (Stocks).** When you buy or sell shares of stock, our fees will depend on a number of factors. One important factor is whether you are buying or selling previously-issued shares on an exchange (this is referred to as a secondary market(s) transaction) or buying “new issue” shares through an Initial Public Offering (IPO) or similar offering (this is referred to as a primary market transaction).

Each time you buy or sell shares of stock on the secondary market, we will typically charge your brokerage account a commission. There is a minimum commission fee of \$70 per transaction and will increase from there as a percentage of the purchase or sale amount. The maximum commission (which can be discounted) is the greater of: 5% of the principal value or \$0.10 per share. The dollar amount of the commission we charge will increase the larger the trade is, but the commission rate (i.e., as a percentage of the trade) will typically decrease the larger the trade is. Therefore, for any given dollar amount of total trading, a small number of large trades will usually cost you less money than a large number of small trades. The commission amount will be reflected on your trade confirmation.

On occasion Wedbush may also sell you “new issue” stocks on the primary market, such as through an IPO. In these cases, Wedbush provides services to the issuing company as an underwriter (distributor) of the shares, or as a member of a syndicate (group) of firms that work to underwrite and distribute the shares to investors. For these services, we are compensated by the issuing company. For example, we may be compensated through an “underwriting discount” or “underwriting commission” – this means that we buy the shares from the issuing company for less than we sell them to you for, and keep the difference as our fee. For simplicity, we will refer to compensation we receive in these types of situations as “underwriting and distribution compensation.” As a percentage of the price you would pay for the shares, our underwriting and distribution compensation



would typically be between 6% and 7%. You should also understand that these are “principal” trades – we are effectively selling the new issue shares to you from our own account. If your Wedbush financial professional recommends a new issue stock purchase to you, you will be furnished with an offering document for the stock, which will include details on the compensation we would receive, and a number of other important matters.

**Fixed Income Securities (Bonds) and Certificates of Deposit (“CDs”).** For securities purchased or sold in the secondary market, we will typically act in the capacity of a principal. As a principal, we execute trades out of our inventory account, and charge you a commission-equivalent fee referred to as a mark-up (when you buy) or a mark-down (when you sell). When we act as principal, the Firm’s total compensation consists of the sales credit charged by your financial professional (which will vary depending on the bond type, duration, and availability), and a mark-up or mark-down that the WS trading desk may include as a part of the transaction. As a percentage of the purchase or sale, our total mark-ups and mark-downs will typically average between 0% and 2.49%.

On occasion, Wedbush may also sell you “new issue” fixed income investments on the primary market – for example through a public offering of corporate bonds or municipal bonds, or on behalf of a bank issuing new CDs. For newly issued securities, you pay the initial offering price as disclosed in the offering documents. For securities for which Wedbush participates as a distributor, Wedbush will receive a portion of the underwriting spread called the “selling concession,” which varies by offering.

If your Wedbush financial professional recommends a new issue bond or CD to you, you will be furnished with an offering document which will include details on the compensation we would receive, and a number of other important matters.

**Closed-End Funds (“CEFs”).** Each time you buy or sell shares of a CEF on the secondary markets, we will typically charge your brokerage account a commission. There is a minimum commission fee of \$70 per transaction, and the amount of the fee will increase from there as a percentage of the purchase or sale amount. The maximum commission (which can be discounted) is the greater of: 5% of the principal value or \$.10 per share. The dollar amount of the commission we charge will increase as the size of the trade increases (i.e., a larger trade will result in a larger commission), but the commission rate (i.e., as a percentage of the trade) will typically decrease as the size of the trade increases (i.e., a larger trade will result in a lower commission rate). Therefore, for any given dollar amount of total trading, a small number of large trades will usually cost you less money than a large number of small trades. The commission amount will be reflected on your trade confirmation.

Wedbush may also sell you “new issue” shares of a CEF on the primary market, such as through an IPO or similar offering. These primary market offerings may include “interval funds,” which are a type of CEF that periodically allows investors to redeem (cash out) their shares, but does not typically trade on the secondary markets. In these cases Wedbush provides underwriting and distribution services to the CEF, and we will receive sales commissions (similar to mutual fund sales charges) for our services. As a percentage of the price you would pay for the CEF, our compensation would typically be between 0.5% to 4%. You should also understand that these are “principal” trades – we are effectively selling the new issue shares of the CEF to you from our own account. If your Wedbush financial professional recommends a new issue CEF (including an interval fund) to you, you will be furnished with a copy of the CEF’s prospectus, which will include details on the compensation we would receive, and a number of other important matters.

Also, like mutual funds and ETFs, when you invest in a CEF you will pay (indirectly) your pro rata share of the CEF’s management fees, service fees and other ongoing expenses. Expressed as an annual percentage, these expenses are referred to as the CEF’s expense ratio. Most expense ratios for CEFs range from 1% to 3%. A CEF’s expense ratio, and more detail about the various fees and costs associated with an investment in the CEF (along with other important information), are provided in its prospectus. We encourage you to carefully review a CEF’s prospectus before investing.

**Unit Investment Trusts (“UITs”).** When you invest in UITs, you typically pay the UIT sponsor either a deferred sales charge or a combination of up-front and deferred sales charges as disclosed in the prospectus. Shorter term UITs commonly assess sales charges of

1.35% of the public offering price per unit for 15-month trusts and 2.25% of the public offering price per unit for 2-year trusts, a portion of which is paid to Wedbush as firm compensation. The UIT's prospectus contains specific sales charge amounts, terms and policies.

Most UIT sponsors make additional payments to the firms that offer their UITs, typically calculated as a percentage of sales volume. The UIT's prospectus contains detailed descriptions of these additional payment programs. Your investment professional does not receive a portion of or credit for these payments.

**Options.** You pay a commission to buy or sell an option based on the number of contracts you trade. For any given dollar amount of total trading, a small number of large trades will usually cost you less money than a large number of small trades. The commission amount will be reflected on your trade confirmation. You should understand that, if the option is exercised, you may also pay a commission for the underlying security transaction as well, which is in addition to the option commission. You will also pay interest on margin borrowing you use to trade options in your brokerage account.

**529 (College Savings) Plans.** When you make contributions to a state's 529 Plan, your contributions are invested among various underlying investment options from which you choose. Typically, 529 Plans have share class structures (i.e., Class A vs. Class C), and pay us sales charges and trails, that largely mirror those of mutual funds – you may wish to review the discussion of Mutual Funds above. For example, as a percentage of the amount contributed, (similar to mutual funds) most 529 Plans charge typically averages between 0% and 5.75%. In addition to the compensation we receive for selling 529 Plans, you will pay additional fees and costs such as program management fees and maintenance fees, which are deducted from your underlying investment options. More detail about the sales charges and other fees and costs associated with a state's 529 Plan (and other important information) is provided in its offering document, which we encourage you to carefully review before making contributions.

**Structured Products.** For newly issued structured products, you will pay the offering price listed in the prospectus. The offering price includes a "selling concession" which is what is paid to Wedbush for the distribution of the product. The selling concession is the difference between what we purchase the product for and what we sell the product for to the public. The offering price also includes costs and fees of the issuer associated with the structuring of the product.

For structured products purchased or sold in the secondary market, you will pay a mark-up (for purchases) or a mark-down (for sells) that consists of the commission as well as the percentage of the of the principal amount that the Wedbush trading desks includes as part of the transaction. This markup or mark-down typically ranges between 1% and 3%. Generally, structured notes (other than ETNs, described below) do not trade frequently on the secondary markets, meaning you will likely need to hold the note until maturity. More detail about the various fees and costs associated with an investment in a specific structured note (along with other important information) is provided in its prospectus. We strongly encourage you to carefully review a structured note's prospectus before investing.

**Exchange-Traded Notes ("ETNs").** ETNs are similar in many respects to structured notes, but unlike most structured notes, ETNs also trade on exchanges like stocks and ETFs. Each time you buy or sell an ETN on the secondary market (on an exchange), we will charge your brokerage account a commission. There is a minimum commission fee of \$70 per transaction and will increase from there as a percentage of the purchase or sale amount. The maximum commission (which can be discounted) is the greater of: 5% of the principal value or \$.10 per share. The dollar amount of the commission we charge will increase the larger the trade is, but the commission rate (i.e., as a percentage of the trade) will typically decrease the larger the trade is. Therefore, for any given dollar amount of total trading, a small number of large trades will usually cost you less money than a large number of small trades. The commission amount will be reflected on your trade confirmation.

**Alternative Investment Funds.** Our Firm offers several categories of alternative investment, including:

- Hedge funds
- Real estate investment trusts ("REITs")

- Private equity funds
- Private credit funds
- Master limited partnerships
- Venture capital funds

When you invest in an alternative investment fund, the fund will typically pay us an up-front sales commission or similar fee that, as a percentage of your investment, may range from 4% to 7%. In some cases, for our ongoing services and maintenance of your account, the fund may also pay us a trailing commission range from 0% to 1% annually. The commissions (including trails) that we receive from alternative investment funds vary significantly based on the type of fund, and the specific fund, you invest in.

You should understand that alternative investment funds often have complex and multi-layered fee structures. In addition to our compensation as a selling broker, many alternative investment funds pay both an investment management fee and an incentive fee (or profits interest sometimes referred to as “carried interest”) to the asset manager or general partner of the fund, and also pay operational expenses that are typically higher than those of mutual funds or other traditional investment funds. Some alternative investment funds also deduct charges for the organization and establishment of the fund. All of these fees and charges will be charged to, and thus reduce the value of, your investment. In connection with any investment in an alternative investment fund, we strongly encourage you to read the fund’s offering document (offering memorandum, private placement memorandum or prospectus) carefully, and make sure you understand all of the fees, costs and other terms and risks associated with an investment before committing to a purchase.

**Variable Annuities and Variable Life Insurance.** If your Wedbush financial professional is licensed to sell annuities and other insurance products, he or she may recommend that you purchase a variable annuity or a variable life insurance policy. Variable annuities and variable life insurance policies are regulated by the SEC as securities (in addition to state insurance regulation). The value of the contract is based on the investment options, such as sub-accounts or directly into the general account of the insurance company that manages the investment portfolios that you selected. If you buy a variable annuity or life insurance policy through Wedbush, we will receive an insurance commission from the issuing insurance company. The commission ranges from 4% to 7%. In many cases, the insurer will also pay us trail compensation for ongoing services and maintenance as long as you continue to hold the annuity or policy, which will not exceed 1.5% annually. Like mutual funds and 529 Plans, many variable annuities offer different share classes. Typically, some share classes will pay us higher up-front commissions but lower trails, while others will pay lower up-front commissions but higher trails.

With any purchase of a variable annuity or variable insurance policy, the single most significant cost you will incur is the premium(s) you will pay to the insurance company for coverage. You will also pay various annual fees described below that are deducted from the annuity contract value by the insurance company. The specific amounts of all fees are disclosed in the contract which you receive directly from the insurance company.

- **Mortality Risk and Expense (M&E)** – This is an annual charge that compensates the insurance company for insurance risks it assumes under the annuity contract. The charge generally ranges from 1% to 1.70%
- **Administrative Fee and Annual Maintenance Fee** – this annual charge covers recordkeeping and other administrative fee expenses. The administrative fee is a percentage of the account value and generally ranges from 0% to .15%. The annual maintenance fee is a flat fee, generally ranging from \$25-\$50 and is typically waived for contract values over \$50,000 or \$100,000.
- **Investment Management Fees and Expenses** – These fees and expenses are paid to the firms that manage the investment portfolios and may include affiliates of the insurance company. These vary depending on which investment

portfolios you choose.

- Fees for Optional Riders – Optional riders are provisions that may be added to an annuity contract to increase or limit benefits the contract otherwise provides. You will be charged additional fees if you select optional contract features at the time of purchase.
- Surrender Charge or Contingent Deferred Sales Charge (CDSC) – If you withdraw money from a variable annuity within a certain period after purchase (typically between 3 to 7 years), the insurance company usually will assess a “surrender charge” which is a type of sales charge.
- Premium Taxes – Several states impose a premium tax on variable annuity purchases either at the time of purchase or at annuitization. The tax may be as high as 5% of either the purchase payments or the total value of the annuity contract depending upon the state. The insurance company is responsible for paying this tax and will usually pass the cost on to you.

Variable annuities and variable life insurance policies are complex products and typically have intricate fee and cost structures. More detail about the fees and costs associated with a particular variable annuity or variable life insurance policy (along with other important information) is provided in its prospectus or other policy documents, which we strongly encourage you to read carefully before any purchase.

**Fixed Annuities and (Non-Variable) Life Insurance.** If your Wedbush financial professional is licensed to sell annuities and other insurance products, he or she may recommend that you purchase a fixed annuity, or a non-variable life insurance product such as a traditional term life or whole life policy. Unlike variable annuities and variable life insurance policies, fixed annuities and non-variable insurance policies are not regulated by the SEC as securities. If you buy a fixed annuity or non-variable life insurance policy through Wedbush, we will receive an insurance commission from the issuing insurance company. For fixed annuities, we receive a commission generally between 1% and 5%, but never more than 7% in the first year, and annual trail commissions of up to 1.5% for as long as you continue to hold the annuity. For life insurance, the commissions we receive vary significantly based upon the specific policy and policy type. As a percentage of first-year premiums, our up-front commissions may range from 70% to 100%. The Firm may also receive renewal commissions for a specific number of years after the first year that typically ranges from 2% to 5% of premiums paid in that year, but can be higher depending on each insurance company. In some cases we will receive higher up-front sales commissions but lower renewal commissions, while in others we will receive lower up-front commissions but higher renewal trails. If your Wedbush financial professional recommends a fixed annuity or life insurance policy to you, you will be furnished with the annuity or policy documents and additional information about our commissions, and other fees and costs (along with other important information) associated with the product. We encourage you to carefully review these documents before any purchase.

## **MATERIAL LIMITATIONS ON OUR SERVICES AND RECOMMENDATIONS**

**As explained in our Customer Relationship Summary, Wedbush is a full service securities broker-dealer. However, there are material limitations on the services, securities and strategies involving securities that we - and in some cases certain of our financial professionals - can offer to you:**

**Investment Limitations.** We offer a wide range of investments, including funds from over 450 fund families, along with numerous other securities, investments and insurance products. However, we do not offer every investment in the marketplace. In particular, we can only sell mutual funds, UITs, annuities and insurance policies, and certain other products, from issuers with whom we have selling or distribution agreements.

**Some of Our Financial Professionals Have Licensing Limitations.** Some of our individual financial professionals are not licensed to recommend and sell certain products. For example, if your financial professional is not licensed to recommend and sell annuities and other insurance products, he or she will be unable to do so for you. Also, some of our financial

professionals may be unable to recommend and provide investment advisory services to you. Our Firm is dually-registered with the SEC as a broker-dealer and investment adviser. Most of our financial professionals are licensed to offer both brokerage and investment advisory services as representatives of Wedbush. However, some of our financial professionals are licensed to offer brokerage accounts and services only. This means they cannot provide or recommend investment advisory services or accounts, such as wrap fee accounts. If these, or any other limitation apply to your Wedbush financial professional, he or she will disclose this to you directly.

You should discuss any licensing limitations with your financial professional. In addition, you can research your financial professional's experience and licenses on FINRA's BrokerCheck website at [brokercheck.finra.org](https://brokercheck.finra.org).

**We Are Not a Discount Broker.** Wedbush is a full service broker-dealer, not a discount broker, and our services are more expensive than those of a typical discount broker. If you only wish to trade securities based on your own research, and you do not wish to receive recommendations or other services we offer, an online or other discount broker would likely be a better overall choice than opening a brokerage account with Wedbush.

**No Monitoring.** When we act as your broker, our Firm and our financial professionals do not monitor your brokerage account investments after they are purchased. We are always here to serve you, and to answer your questions. Also, your financial professional may – from time to time – review the investments in your account to determine whether to make additional recommendations to you. But we do not monitor your brokerage account or holdings. If you wish to receive regular monitoring of your investments, you may wish to consider whether a wrap fee or other investment advisory account might be a better overall choice for you.

**No Discretionary (Investment Management) Services.** When we act as your broker, our Firm and our financial professionals cannot make investment decisions for you, and we cannot manage your brokerage account on a discretionary basis. This means that we cannot buy or sell an investment for your brokerage account without first obtaining your authorization. While we may recommend investments to you, you are responsible for making the ultimate decision whether to purchase or sell investments. If you are uncomfortable making investment decisions even with recommendations from a financial professional, you may wish to consider whether a wrap fee or other investment advisory account (which, if you so authorize, can be managed by us on a discretionary basis) might be a better overall choice for you.

**Some Investment Opportunities Are Limited.** In some cases, Wedbush may only be able to offer a limited amount of an investment opportunity to all of our clients collectively – for example, where we sell stock or another “new issue” security through an IPO or similar offering. In those cases, it is possible that the amount of the investment made available to you could be less than you would wish to purchase, or could even be zero.

**Certain Regulatory Restrictions.** Most of the investments we offer are available to all of our retail customers, but there are some exceptions. For example, before purchasing interests in some alternative investment products (such as REITS or private equity funds) you may have to meet certain financial and other tests in order to qualify as an “accredited investor,” a “qualified purchaser” and/or a “qualified client,” depending on the specific fund and its requirements. Likewise, under industry rules and regulations, if you have certain associations within the financial services industry, you may be considered a “restricted person” who is prohibited from purchasing “new issue” securities through IPOs and similar offerings.

## CONFLICTS OF INTEREST ASSOCIATED WITH OUR RECOMMENDATIONS

As explained in our Customer Relationship Summary, when our Firm and our financial professionals make recommendations to you as your broker, we have an obligation to act in your best interest and not put our interests ahead of yours. However, the ways in which we make money create some conflicts with your interests:

**Volume of Trading; Investment Amounts.** Our Firm charges a commission (or commission-equivalent, such as a mark-up

or mark-down) each time you buy or sell ETFs, stocks, fixed-income investments, options, CEFs, ETNs, traded REITs or other investments that are exchange-traded. The higher the amount and the more frequently you trade, the more commissions we will charge you. Also, we typically are paid a sales charge or other commission each time you invest in a mutual fund, 529 Plan, UIT, alternative investment fund or certain other products, or an insurance commission if you buy an annuity or insurance policy. The amounts of the commissions and other charges we receive generally increase the larger your trades or investments are. And, our financial professionals receive a portion of these revenues that they generate for our Firm (see Financial Professional Compensation Grid below). Therefore, both our Firm and our financial professionals have a financial incentive to recommend that you buy and sell investments and insurance products often, and make large trades and investments.

**Third-Party Payments.** The sales charges, sales commissions, insurance commissions and similar payments (including trail commissions, 12b-1 fees, etc.) that we receive for selling investment products such as mutual funds, 529 Plans, UITs, alternative investment funds, annuities and other insurance products vary from product type to product type. They also vary in many cases from product to product even within a single category (for example, one mutual fund might pay us a 4.0% sales charge while another might pay us a 5.0% sales charge). And again, if your financial professional sells a product to you, he or she will receive a portion of the revenues paid to our Firm. Therefore, both our Firm and our financial professionals have a financial incentive to offer and recommend investment and insurance products that pay us higher commissions and other fees than those that pay us lower commissions and other fees.

**Principal Trades.** When we sell you fixed-income investments or other securities from our own account (or buy them from you for our own account), the mark-up or mark-down we charge may be more than the commission we would charge for a similar transaction between you and a third-party investor (i.e., where we act only as your agent). Also, we may realize a profit on the trade. Therefore, our Firm and our financial professionals have incentives to recommend principal trades to you. Also, we receive additional underwriting and distribution compensation where we sell you securities offered through an IPO or otherwise on the primary market.

**Brokerage vs. Advisory Services.** In many cases, the compensation (primarily, investment advisory fees) our Firm receives for providing wrap fee accounts or other investment advisory services is higher than the compensation (i.e., commissions and other transaction-based payments) we would receive for providing brokerage services. The rate of fees you pay in an investment advisory account also does not decrease even where the level of investment trading activity in your advisory account is low. And, each of our financial professionals receives a share of the investment advisory fees he or she generates (see Financial Professional Compensation Grid below), just like commission revenues. Therefore, both our Firm and our financial professionals may have a financial incentive to encourage you to choose an advisory account over a brokerage account. Our financial professionals are required to consider the level of anticipated trading activity along with certain other factors, and only recommend an account type to you that would be consistent with your best interests.

**Rollovers.** Regardless of the services and investments you select, our Firm and your financial professional will make more money if you roll over assets from a retirement plan to an IRA with Wedbush. Therefore, both our Firm and our financial professionals have a financial incentive to recommend retirement plan rollovers to IRAs serviced by us. Even if the retirement plan from which the rollover comes is with Wedbush, we will still make more money under an IRA because the plan will likely qualify for less expensive institutional class (or Retirement (R)-Class) fund shares (see Share Classes below).

**Account Transfers.** Similar to rollovers, our Firm and your financial professional will make money if you transfer assets in an IRA or other investment account with another financial institution to an account with Wedbush. For example, you might have investment accounts at multiple firms, or this could also occur if your financial professional recently left another firm and joined Wedbush. Both our Firm and our financial professionals have a financial incentive to recommend transfers of IRAs and other accounts at other institutions to accounts serviced by us.

**Financial Professional Compensation Grid.** Like many financial institutions, the primary cash compensation we pay to each



of our individual financial professionals is a percentage share of the commissions, sales charges, mark-ups and mark-downs, insurance commissions, underwriting and distribution compensation, investment advisory fees and similar revenues he or she generates for our Firm (this is referred to as his or her “production”). Under our commission and fee grid, the share of a financial professional’s production that he or she receives increases as his or her production increases. This creates a strong incentive for our financial professionals to make recommendations to clients which – if followed – would increase commission and other revenues to our Firm (their production), since doing so entitles them to a larger share of a larger dollar figure.

**Forgivable Loans.** As an inducement to join our Firm, we sometimes grant forgivable loans to financial professionals who are new recruits. These loans can be forgiven by Wedbush if the financial professional achieves certain levels of production or client assets within specified time frames. While we supervise our financial professionals and the account activity of their clients, forgivable loans provide another incentive for our financial professionals to encourage clients to move assets to Wedbush, and to recommend more frequent trading, larger investments and additional services. This financial incentive would be expected to be particularly strong near the end of the performance measuring period – that is, the point-in-time at which it is determined whether the financial professional has generated enough business for the Firm to have his or her loan forgiven by the Firm.

**Awards and Recognition.** In addition to their regular cash compensation (see Financial Professional Compensation Grid above), our financial professionals are eligible to earn “length of service” awards that are based on their tenure with our Firm, revenues to the Firm as a whole, and their personal client assets. Thus, longer-tenured financial professionals may have an additional incentive to increase revenues to our Firm (even those that are not shared with them directly) and their own client assets. Our financial professionals can also earn non-cash awards such as recognition and certain titles, based largely on their personal production.

**Share Classes.** Some investment products we offer and recommend to clients feature share class structures, including mutual funds, 529 Plans and variable annuities. Typically, some share classes will pay us higher up-front sales charges and similar payments but lower recurring payments (such as 12b-1 fees and trails), while others will pay us less up-front but more on a recurring basis. For this reason, some share classes are expected to be less expensive for long-term investors, and others are expected to be less expensive for short-term investors. In most cases, our Firm and our financial professionals will receive more compensation if you choose a share class that is more costly to you. Our financial professionals are required to consider your expected investment time horizon before recommending a particular share class. However, you should also understand that mutual funds typically offer advisory or institutional share classes that are less expensive than the share classes available to you through your retail brokerage account, and may offer share classes that are utilized for certain retirement plans as well. These share classes will not be available to you, except that “advisory” share classes (which do not impose sales charges and have lower 12b-1 fees and other ongoing expenses) may be offered to you if you choose a fee-based advisory account instead.

**Product Discounts.** Some investment products may offer discounts that will reduce the sales charges and other commissions we receive as a Firm, and thus, the compensation our financial professionals receive. For example, some mutual fund families offer sales charge discounts at certain “break points” based on the total dollar amount of your investments, or if you sign a letter of intent (LOI) to invest a certain amount in their funds. Since they reduce our revenues, our Firm and our financial professionals have a financial incentive not to encourage you to take advantage of such discounts.

**Revenue Sharing.** Various companies, such as mutual funds, UIT sponsors and insurance companies, pay us for offering and marketing their products. This relationship, known as revenue sharing, is based on our total sales and/or total client assets in their products. This arrangement creates a financial incentive for our Firm to promote the products that we receive higher levels of revenue sharing.

**Additional Services.** As a Firm, we make more money if you choose to utilize additional services we offer, such as our margin lending and cash sweep programs. This means our Firm has an economic incentive to make these services available and recommend that you use them. However, we do not share additional revenues we receive from margin lending and cash



sweep activities directly with our financial professionals.

**Payment for Order Flow.** Certain exchanges and market makers may make payments to Wedbush for directing customer orders to them, which may be up to \$0.01 per share traded. Wedbush's policy is to route client orders to the market where we believe clients will receive the best execution, taking into account price, reliability, market depth, quality of service, speed, and efficiency. Upon opening a brokerage account with Wedbush, you will be provided with more detailed information about any such arrangements that we have in place. We do not share these revenues directly with our financial professionals.

**Marketing and Product Training.** Fund families, insurance companies, and investment product sponsors and wholesalers may pay (or reimburse) Wedbush certain amounts in support of our marketing and product training efforts for our financial professionals, in exchange for the opportunity to speak at our client events, or to advertise in our publications. These payments are not tied directly to specific product sales or clients. They may create a conflict of interest to the extent they could cause Wedbush and our financial professionals to focus our recommendations to clients on these providers' products, over other competing products that are available in the marketplace.

**Non-Cash Compensation to Our Financial Professionals.** Fund families, insurance companies and investment product sponsors and wholesalers may - on occasion - provide our financial professionals with a small gift or token worth less than \$100, a complimentary meal, a ticket to a sporting or networking event, or similar item. These items are not tied to specific product sales or clients, and must be reported to our Firm in accordance with industry regulations. They may create a conflict of interest to the extent they could cause our financial professionals to focus their recommendations to clients on these providers' products, over other competing products that are available in the marketplace.

**Allocation of Limited Investment Opportunities.** Where Wedbush is only able to offer a limited amount of an investment opportunity to all of our clients collectively, such as an IPO, we may have an incentive to offer those opportunities first to clients who have the largest accounts, and pay us the most fees.

**Retirement Plans.** Through our Firm's retirement plans, our individual financial professionals may receive profit sharing, matching or other employer contributions that may be based in whole or part on the overall financial performance of the Firm. This may provide an additional financial incentive for our financial professionals to increase commission and fee revenues for the Firm at large (even revenues that are not shared with our financial professionals directly).

**Financial Professionals' Outside Business Activities.** Some of our individual financial professionals may engage in outside business activities for compensation. As a result, they may have a financial incentive to spend time on those outside activities, rather than on providing services to our brokerage customers. You can research outside business activities your financial professional may have, for which he or she receives compensation, at [brokercheck.finra.org](http://brokercheck.finra.org).