

B. Riley Financial, Inc.
Form PRE 14A
June 19, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

B. Riley Financial, Inc.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

B. RILEY FINANCIAL, INC.

June 29, 2015

Dear Stockholder:

You are cordially invited to attend the 2015 Annual Meeting of B. Riley Financial, Inc., which will be held at the offices of B. Riley Financial, Inc.'s subsidiary, B. Riley & Co., LLC, located at 11100 Santa Monica Blvd., Suite 800, Los Angeles, CA 90025, on August 13, 2015, at 1:00 p.m. local time. We hope you will be able to attend the meeting in person.

The attached notice of meeting and proxy statement describe the matters to be acted upon at the annual meeting. If you plan to attend the annual meeting in person, please mark the designated box on the enclosed proxy card. If you are planning to attend the annual meeting and your shares are held in street name (by a broker, for example), you should ask the record owner for a legal proxy or bring your most recent account statement to the annual meeting so that we can verify your ownership of B. Riley Financial, Inc. stock. Please note, however, that if your shares are held in street name and you do not bring a legal proxy from the record owner, you will be able to attend the annual meeting, but you will not be able to vote at the annual meeting.

Whether or not you plan to attend the annual meeting personally, and regardless of the number of shares you own, it is important that your shares be represented at the annual meeting. Accordingly, we urge you to promptly complete the enclosed proxy card and return it to the inspector of elections in the postage-prepaid envelope provided, or to promptly use the telephone or Internet voting system. If you do attend the annual meeting and wish to vote in person, you may withdraw your proxy at that time.

Sincerely,

Bryant R. Riley
Chairman and Chief Executive Officer

B. RILEY FINANCIAL, INC.

21860 BURBANK BOULEVARD, SUITE 300 SOUTH

WOODLAND HILLS, CA

(818) 884-3737

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on August 13, 2015

To the Stockholders of B. Riley Financial, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of B. Riley Financial, Inc. (the "Company") will be held on August 13, 2015, at 1:00 p.m. local time at the offices of the Company's subsidiary, B. Riley & Co., LLC, located at 11100 Santa Monica Blvd., Suite 800, Los Angeles, CA 90025, for the following purposes:

1. To elect three (3) directors to hold office for a one year term to expire at the Company's 2016 Annual Meeting of the Stockholders or until their successors are elected and duly qualified.
2. To ratify the selection of Marcum LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015.

To amend and restate the Company's Certificate of Incorporation, as amended, to (i) reduce the number of authorized shares of common stock of the Company from 135,000,000 to 40,000,000, (ii) reduce the number of authorized shares of preferred stock of the Company from 10,000,000 to 1,000,000 and (iii) provide for additional changes or modifications that are consistent with the foregoing.
3. To amend and restate the Company's Certificate of Incorporation, as amended, to (i) reduce the number of authorized shares of common stock of the Company from 135,000,000 to 40,000,000, (ii) reduce the number of authorized shares of preferred stock of the Company from 10,000,000 to 1,000,000 and (iii) provide for additional changes or modifications that are consistent with the foregoing.
4. To approve the adoption of the B. Riley Financial, Inc. Management Bonus Plan.
5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

The Company's Board of Directors has fixed the close of business on June 18, 2015 as the record date for the determination of stockholders entitled to notice of and to vote at this Annual Meeting and at any adjournment or postponement thereof. All stockholders are invited to attend the meeting. You must present your proxy or voter instruction card or meeting notice for admission.

By Order of the Board of Directors,

Bryant R. Riley
Chairman and Chief Executive Officer

Woodland Hills, California
June 29, 2015

ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING. A RETURN ENVELOPE (WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR THAT PURPOSE. EVEN IF YOU HAVE GIVEN YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME.

B. RILEY FINANCIAL, INC.

21860 BURBANK BOULEVARD, SUITE 300 SOUTH

WOODLAND HILLS, CA

PROXY STATEMENT

For Annual Meeting of Stockholders to be held on August 13, 2015

General

The enclosed proxy is solicited on behalf of our Board of Directors (the “Board” or “Board of Directors”) for use at the Annual Meeting of Stockholders (the “Annual Meeting”) of B. Riley Financial, Inc. to be held on August 13, 2015, at 1:00 p.m. local time or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting. The Annual Meeting will be held at the offices of B. Riley Financial, Inc.’s subsidiary, B. Riley & Co., LLC, located at 11100 Santa Monica Blvd., Suite 800, Los Angeles, CA 90025. We expect to mail this proxy statement to our stockholders on or about July 1, 2015.

All references to “us”, “we”, “our”, and “the Company” refer to B. Riley Financial, Inc. and its subsidiaries.

Solicitation of Proxies

The Board is soliciting the accompanying proxy. In accordance with unanimous recommendations of our Board, the individuals named in the proxy will vote all shares represented by proxies in the manner designated, or if no designation is made, they will vote the proxies FOR the election of all of the director nominees and FOR proposals 2, 3 and 4. In their discretion, the proxy holders named in the proxy are authorized to vote on any other matters that may properly come before the Annual Meeting and at any continuation, postponement or adjournment of the Annual Meeting. As of the date of this Proxy Statement, the Board does not know of any other items of business that will be presented for consideration at the Annual Meeting other than those described in this proxy statement. The individuals acting as proxies will not vote on a particular matter if the proxy card representing those shares instructs them to abstain from voting on that matter or to the extent a proxy card is marked to show that some of the shares represented by the proxy card are not to be voted.

Shares Outstanding and Required Vote

Only holders of record of shares of our common stock at the close of business on the record date, June 18, 2015, will be entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. At the close of business on June 18, 2015, the Company had 16,305,236 shares of common stock outstanding and entitled to vote held by 101 stockholders of record. Each holder of record of shares of our common stock on the record date will be entitled to one vote for each share held on all matters to be voted upon at the Annual Meeting.

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of our outstanding shares of common stock entitled to vote are represented at the meeting, either in person or by proxy. All votes will be tabulated by the inspector of elections appointed for the meeting by the board of directors, who will tabulate affirmative and negative votes, abstentions and broker non-votes. Abstentions and broker shares that are voted as to any matter at the meeting will be included in determining if a quorum is present or represented at the Annual Meeting. Any broker holding shares of record for you is not entitled to vote on certain matters unless the broker receives voting instructions from you. Uninstructed shares, or broker non-votes, result when shares are held by a broker who has not received instructions from its customer on such matters and the broker has so notified us on a proxy form in accordance with industry practice or has otherwise advised us that the broker lacks voting authority. The effects of broker non-votes and abstentions on the specific items to be brought before the Annual Meeting are discussed under each item.

How to Vote

You may vote by attending the Annual Meeting and voting in person or you may vote by submitting a proxy. If you hold your shares of common stock in street name you will receive a notice from your broker, bank or other nominee that includes instructions on how to vote your shares. Your broker, bank or other nominee may allow you to deliver your voting instructions via the Internet and may also permit you to submit your voting instructions by telephone.

If you plan to attend the annual meeting and wish to vote in person, you will be given a ballot at the Annual Meeting. Please note that if your shares are held of record by a broker, bank or other nominee, and you decide to attend and vote at the Annual Meeting, your vote in person at the Annual Meeting will not be effective unless you present a legal proxy, issued in your name from your broker, bank or other nominee. Even if you plan to attend the Annual Meeting, we encourage you to submit your proxy to vote your shares in advance of the Annual Meeting.

Revocation of Proxies

You are a stockholder of record if at the close of business on the record date your shares were registered directly in your name with Continental Stock Transfer and Trust Company, our transfer agent. If you are a stockholder of record and give a proxy, you may revoke it at any time before its use, either:

- (1) by revoking it in person at the Annual Meeting;
- (2) by writing, delivered to our Corporate Secretary at 21860 Burbank Boulevard, Suite 300 South, Woodland Hills, CA 91367 before the proxy is used; or
- (3) by a later dated proxy card delivered to us at the above noted address before the proxy is used.

Your presence at the meeting will not revoke your proxy, but if you attend the meeting and cast a ballot, your proxy will be revoked as to the matters on which the ballot is cast.

If you hold your shares through a broker, bank, trustee or other nominee, please follow the instructions provided by your broker or other nominee as to how you may change your vote or obtain a legal proxy to vote your shares if you wish to cast your vote in person at the Annual Meeting.

Cost and Method of Solicitation

We will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to our stockholders. Solicitation of proxies by mail may be supplemented by telephone or personal solicitation by our directors, officers or other regular employees. No additional compensation will be paid to directors, officers or other regular employees for such services. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others to forward to such beneficial owners. We may reimburse such persons for their costs in forwarding the solicitation materials to such beneficial owners.

Stockholder List

A complete list of registered stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose related to the meeting, for ten days prior to the meeting during ordinary business hours at our principal offices located at 21860 Burbank Boulevard, Suite 300 South, Woodland Hills, CA 91367.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON AUGUST 13, 2015

Copies of this proxy statement and our 2014 Annual Report to stockholders are also available online at:
<http://www.viewproxy.com/brileyfin/2015/>.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

We previously had a classified board of directors (the “Board”) whereby the directors were elected to serve for three-year terms that were staggered into three classes. At our 2014 annual meeting of stockholders, the stockholders of the Company approved an amendment to the Company’s Certificate of Incorporation (the “Charter Amendment”), which phases out such three-year, staggered terms and instead provides for the annual election of directors. The Charter Amendment became effective upon its filing with the Secretary of State of the State of Delaware on October 7, 2014.

Andrew Gumaer, Matthew J. Hart and Kenneth M. Young will serve as directors until the Annual Meeting, Bryant R. Riley will serve as a director until our annual meeting of stockholders to be held in 2016, and Hugh G. Hilton and Richard L. Todaro will serve as directors until our annual meeting of stockholders to be held in 2017, or until their respective successors are duly elected and qualified or their earlier death, resignation or removal.

Upon expiration of the term of any director, the successor to such director (or such director, if such director is reelected) will be elected for a one-year term at the annual meeting of stockholders in the year in which such term expires. Each director’s term is subject to the election and qualification of his successor, or his earlier death, resignation or removal.

As stated above, the terms of Andrew Gumaer, Matthew J. Hart and Kenneth M. Young will expire on the date of the upcoming Annual Meeting. The board of directors has nominated each such individual to be elected as a director at the Annual Meeting. If elected, the nominees will serve as directors until our annual meeting of stockholders in 2016, or until their successors are duly elected and qualified. If any of the nominees declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although we know of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as the board of directors may designate.

There are no familial relationships between any of our directors or our executive officers and any other director or executive officer. No arrangement or understanding exists between any nominee and any other person or persons pursuant to whom any nominee was or is to be selected as a director or director nominee of the Company.

Information Regarding Directors

The following table provides the name, age and position(s) of each of our directors as of June 18, 2015:

Name	Age	Committees
Bryant R. Riley	48	None.
Andrew Gumaer	54	None.
Matthew J. Hart	63	Audit Committee*, Compensation Committee, Corporate Governance Committee*
Hugh G. Hilton	64	Audit Committee, Compensation Committee*, Corporate Governance Committee
Richard L. Todaro	43	Audit Committee
Kenneth M. Young	51	Compensation Committee

*Chairman of the respective committee.

Our Nominees for Director

Andrew Gumaer has served as the Chief Executive Officer of Great American Group, LLC (“GAG, LLC”), a wholly owned subsidiary of the Company, since we acquired such entity in July 2009 and as a director of the Company since July 2009. Mr. Gumaer also served as our Chief Executive Officer from July 2009 until the initial closing of the acquisition of B. Riley & Co., LLC and certain related entities in June 2014 (the “BRC Acquisition”), and as our Chairman from March 2012 until June 2014. Prior to July 2009, Mr. Gumaer was a co-founder of GAG, LLC, had served as GAG, LLC’s Chief Executive Officer since May 2007 and previously served as GAG, LLC’s President from June 2006 to May 2007. Prior to assuming such role, Mr. Gumaer was the President of The Pride Capital Group, LLC, predecessor in interest to GAG, LLC, from 2002 to May 2006. Mr. Gumaer also served as the Senior Vice President of Garcel, Inc. from 1997 to 2002 and as a Senior Vice President with the investment banking firm Drexel Burnham Lambert prior to his service with Garcel, Inc. Mr. Gumaer’s in depth knowledge of our business and operations, his experience in the investment banking industry, and leadership as GAG, LLC’s Chief Executive Officer and/or President since 2006 positions him well to serve as a member of our Board.

Matthew J. Hart has served as a director since July 2009. Mr. Hart was President and Chief Operating Officer of Hilton Hotels Corporation, referred to herein as Hilton, from May 2004 until the buyout of Hilton by a private equity firm in October 2007. Mr. Hart also served as Executive Vice President and Chief Financial Officer of Hilton from 1996 to 2004. Prior to joining Hilton in 1996, Mr. Hart was Senior Vice President and Treasurer of The Walt Disney Company and was Executive Vice President and Chief Financial Officer for Host Marriot Corp. Mr. Hart received his Bachelor of Arts in Economics and Sociology from Vanderbilt University in 1974 and earned a Master of Business Administration in Finance and Marketing from Columbia University in 1976. Mr. Hart currently serves on the board of directors of American Airlines, Air Lease Corporation and American Homes 4 Rent. Mr. Hart formerly served on the board of directors of Kilroy Realty Corp. from 1997 to 2007 and America West Holdings Corp. from 2005 to 2006. Mr. Hart's extensive experience and expertise with public companies is well suited for his role as the designated financial expert and chairman of our Audit Committee. He also brings extensive experience serving on other public company boards which provide important resources in his service on our Board.

Kenneth M. Young has served as a director since May 2015. Mr. Young has served as the President and Chief Executive Officer of Lightbridge Communications Corporation ("LLC") since August 2008. Mr. Young also served as President and Chief Operating Officer of LCC from May 2008 to August 2008, Senior Vice President, President of the Americas from June 2007 to May 2008, and Chief Marketing Officer from May 2006 to June 2007. Prior to joining LCC in 2006, Mr. Young served as Chief Operating Officer for Liberty Media's Connectid mobile content subsidiary, as well as Senior Vice President and Chief Marketing Officer of Liberty Media's TruePosition location based services organization. Before joining Liberty Media, Mr. Young spent over 16 years with the now combined AT&T Corporation and held senior management positions with Cingular Wireless, SBC Wireless and Southwestern Bell Telephone. Mr. Young holds a Master in Business Administration from the University of Southern Illinois and a Bachelor of Science in Computer Sciences from Graceland University. Mr. Young's executive leadership experience provides an important resource to our Board.

Other Directors

Hugh G. Hilton has served as a director since July 2009. Mr. Hilton has served as the Chief Executive Officer of Alvarez & Marsal Capital Real Estate, LLC, which he co-founded in December 2008, the real estate and investment management arm of Alvarez & Marsal. From 2003 to December 2008, Mr. Hilton served as the founding Managing Director of Catalyst, LLC, a restructuring and turnaround firm. Mr. Hilton has been involved in over 25 corporate restructuring and turnaround engagements, during which he provided financial advisory services and/or filled interim senior management roles, such as Chairman, Chief Executive Officer, President, and/or Chief Restructuring Officer at both public and private middle market companies. Prior to 2003, Mr. Hilton served as a Managing Director of Alvarez & Marsal, President of HVK, Inc., President of First Interstate Bancorp's real estate fund advisory arm, and Vice President of BankAmerica Investment Real Estate. Mr. Hilton holds a Bachelor of Business Administration and a Master of Business Administration from the University of Michigan as well as a Juris Doctor from the University of Colorado. Mr. Hilton is a member of the American Bankruptcy Institute. Mr. Hilton's financial experience and expertise in the real estate and restructuring industries is particularly relevant to the Board as we expand our current service offerings. He provides the Board with important insight into corporate restructuring.

Bryant R. Riley has served as our Chief Executive Officer and Chairman since the initial closing of the BRC Acquisition and as a director since August 2009. Mr. Riley also serves as the Chairman and Chief Executive Officer of B. Riley & Co., LLC, and Chief Executive Officer of B. Riley Capital Management, LLC, wholly owned subsidiaries of the Company. Mr. Riley has served as Chairman and Chief Executive Officer of B. Riley & Co., LLC since founding the stock brokerage firm in 1997. He has served as Chief Executive Officer of B. Riley Capital Management, LLC since April 2015. He also previously served on the boards of Aldila, Inc. from 2003 to February 2010, Alliance Semiconductor Corp. from July 2005 to February 2012, Cadiz Inc. from April 2013 to June 2014, DDI Corp. from May 2007 to May of 2012, National Holdings Corporation from April 2012 to October 2012, Strasbaugh from July 2010 to August 2013, STR Holdings, Inc. from March 2014 to August 2014, and Trans World Entertainment Corp. from January 2009 to July 2012. He also served on the board of directors for several private companies. Mr. Riley received his B.S. in Finance from Lehigh University. Mr. Riley's experience and expertise in the investment banking industry provides our Board with valuable insight into the capital markets. Mr. Riley's extensive experience serving on other public company boards is an important resource for our Board.

Richard L. Todaro, CFA, has served as a director since July 2014. Mr. Todaro is President of Todaro Capital. Mr. Todaro previously spent 20 years at Kennedy Capital Management, managing the Small Cap Growth portfolio there for the past 10 years. He held several positions at Kennedy Capital Management, including Analyst, Assistant Director of Research, Assistant Portfolio Manager, Portfolio Manager, and Vice President and served as a member of its board of directors. Mr. Todaro spent three years as a board member of the University of Missouri – St. Louis Finance Department. He currently serves as an advisory board member for Gateway Greening. Mr. Todaro also served in the Air National Guard as a staff sergeant from 1991 to 1997. Mr. Todaro received a BSBA in Finance from the University of Missouri – St. Louis and a Master of Finance degree from Saint Louis University. Mr. Todaro has also passed the Uniform Investment Advisor Law examination. Mr. Todaro's financial experience and expertise in the asset management industry provides our Board valuable insight into the capital markets industry.

Vote Required and Board of Directors' Recommendation

Each director is elected by a plurality of the votes cast with regard to the election of directors. The persons named in the enclosed proxy will vote the proxies they receive FOR the election of the nominees named above, unless a particular proxy card withholds authorization to do so, or provides contrary instructions. Because directors are elected by a plurality of the votes cast, abstentions and broker non-votes will not be counted in determining which nominees receive the largest number of votes cast. Each of the nominees has indicated that he is willing and able to serve as a director. If, before the Annual Meeting, any nominee becomes unable to serve, an event that is not anticipated by the Board, the proxies will be voted for the election of whomever the Board may designate.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR
THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR.**

PROPOSAL NO. 2**RATIFICATION OF SELECTION OF INDEPENDENT PUBLIC ACCOUNTING FIRM**

Our Board has selected Marcum LLP (“Marcum”) as our independent public accounting firm for the fiscal year ending December 31, 2015, and has further directed that management submit the selection of independent public accounting firm for ratification by our stockholders at our Annual Meeting. Marcum has audited our financial statements since the fiscal year ended December 31, 2006. Representatives of Marcum are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Stockholder ratification of the selection of Marcum as our independent public accounting firm is not required by our Bylaws or otherwise. However, the Board is submitting the selection of Marcum to the stockholders for ratification as a matter of good corporate practice. If the stockholders do not ratify the selection, the Board and our Audit Committee (“Audit Committee”) will reconsider whether or not to retain Marcum. Even if the selection is ratified, the Board and the Audit Committee may, in their discretion, direct the appointment of a different independent public accounting firm at any time during the year if they determine that such a change would be in our and our stockholders’ best interests.

Audit and All Other Fees

The following table sets forth the aggregate fees for services provided to us by Marcum for the fiscal years ended December 31, 2013 and 2014:

	Fiscal 2013	Fiscal 2014
Audit Fees (1)	\$ 376,076	\$ 354,844
Audit-Related Fees (2)	5,775	24,383
Tax Fees	—	—
All Other Fees	—	—
TOTAL	\$ 381,851	\$ 379,227

Audit Fees consist of audit and various attest services performed by Marcum LLP and include the following: (1) fees for fiscal 2013 include (a) reviews of our financial statements for the quarterly periods ended March 31, 2013, June 30, 2013 and September 30, 2013 and (b) the audit of our financial statements for the year ended December 31, 2013 and (2) fees for fiscal 2014 include (a) reviews of our financial statements for the quarterly periods ended March 31, 2014, June 30, 2014 and September 30, 2014 and (b) the audit of our financial statements for the year ended December 31, 2014.

(2) Audit-Related Fees consists of fees for assurance and related services performed by Marcum LLP that related to the performance of the audit or review of the Company's financial statements other than audit fees.

Audit Committee Pre-Approval Policy

As a matter of policy, all audit and non-audit services provided by our independent registered public accounting firm are approved in advance by the Audit Committee, which considers whether the provision of non-audit services is compatible with maintaining such firm's independence. All services provided by Marcum during fiscal years 2013 and 2014 were pre-approved by the Audit Committee. The Audit Committee has considered the role of Marcum in providing services to us for the fiscal year ended December 31, 2015, and has concluded that such services are compatible with their independence as our auditors.

Vote Required and Board of Directors' Recommendation

Approval of this proposal requires the affirmative vote of a majority of the votes cast on this proposal at a meeting at which a quorum is present. Abstentions will be counted as present for purposes of determining the presence of a quorum and will have the same effect as a vote against this proposal. Broker non-votes will not result from the vote on Proposal No. 2.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE SELECTION OF MARCUM LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2015.

PROPOSAL NO. 3

APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE COMPANY'S CERTIFICATE OF INCORPORATION TO REDUCE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK AND PREFERRED STOCK

The Board has unanimously approved, subject to stockholder approval, a proposal to amend and restate our Certificate of Incorporation to (i) reduce the number of authorized shares of common stock of the Company from 135,000,000 to 40,000,000, (ii) reduce the number of authorized shares of preferred stock of the Company from 10,000,000 to 1,000,000 and (iii) provide for additional changes or modifications that are consistent with the foregoing. Such amendment and restatement would also integrate all prior amendments of our Certificate of Incorporation (adjusting date references relating to such amendments as appropriate and removing references to the Company's previously completed reverse stock split). No change will be made to the other provisions of our Certificate of Incorporation.

Current Structure

As of June 18, 2015, we had 135,000,000 authorized shares of common stock, of which 16,305,236 shares were issued and outstanding, and 10,000,000 authorized shares of preferred stock, of which no shares were issued and outstanding. Of the remaining 118,694,764 authorized shares of common stock, only 3,196,704 shares are either subject to outstanding awards or reserved for future issuance under our Amended and Restated 2009 Stock Incentive Plan and 333,333 shares are potentially issuable as contingent consideration in connection with our acquisition of MK Capital Advisors, LLC in February 2015, resulting in an aggregate of 115,164,727 shares of our authorized common stock remaining available for future issuance.

Purpose of the Amendment and Restatement

Our Board's primary reason for approving the amendment and restatement of our Certificate of Incorporation to reduce our authorized capital stock is to reduce the amount of our annual franchise tax in the State of Delaware, while still maintaining a sufficient number of authorized shares to permit us to act promptly with respect to future financings, acquisitions, additional issuances, and for other corporate purposes. Each year, we are required to make franchise tax payments to the State of Delaware in an amount determined, in part, by the total number of shares of stock we are authorized to issue. Therefore, the amount of this tax will be decreased if we reduce the number of authorized shares of our common stock and our preferred stock (unless before and after such reduction, we are subject to the maximum tax amount). While the exact amount of such cost savings will depend on a number of factors, and could change year

to year, we estimate the amount of tax savings to be approximately \$125,000 per year based on the current Delaware law. Under Delaware law, however, if an amendment changing the number of shares of authorized stock becomes effective during the year, the amount of franchise tax for that year will be calculated on a prorated basis, based on the date of passage of that amendment. Accordingly, if such amendment and restatement is approved, we expect that the actual reduction in our Delaware state franchise tax payable with respect to fiscal year 2015 will be approximately \$35,000.

Effects of the Amendment and Restatement

If the proposed amendment and restatement of our Certificate of Incorporation is approved, the number of authorized shares of common stock of the Company will be reduced from 135,000,000 to 40,000,000 and the number of authorized shares of preferred stock of the Company will be reduced from 10,000,000 to 1,000,000. The amendment and restatement will not change the par value of the shares of our common stock or preferred stock, affect the number of shares of our common stock that are outstanding, or affect the legal rights or privileges of holders of existing shares of common stock. The reduction will not have any effect on any outstanding equity incentive awards to purchase our common stock.

The proposed decrease in the number of authorized shares of common stock and preferred stock could have adverse effects on us. Our Board will have less flexibility to issue shares of common stock and preferred stock, including in connection with a potential merger or acquisition, stock dividend or follow on offering. In the event that our Board determines that it would be in our best interest to issue a number of shares of common stock or preferred stock in excess of the number of then authorized but unissued and unreserved shares, we would be required to seek the approval of our stockholders to increase the number of shares of authorized common stock or preferred stock, as applicable. If we are not able to obtain the approval of our stockholders for such an increase in a timely fashion, we may be unable to take advantage of opportunities that might otherwise be advantageous to us and our stockholders. However, our Board believes that these potential risks are outweighed by the anticipated benefits of reducing the Company's Delaware franchise tax obligations.

This description of the effects of the proposed amendment and restatement to the Certificate of Incorporation is a summary and is qualified by the full text of the proposed Amended and Restated Certificate of Incorporation, which is attached to this Proxy Statement as Appendix A, with additions indicated by underlined text and deletions indicated by strikethrough text.

Vote Required and Board of Directors' Recommendation

Approval of this proposal requires the affirmative vote of at least a majority of the outstanding shares of our common stock. As a result, abstentions and broker non-votes will have the same effect as a vote against this proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE PROPOSED AMENDMENT AND RESTATEMENT OF THE COMPANY'S CERTIFICATE OF INCORPORATION TO REDUCE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK AND PREFERRED STOCK.

PROPOSAL NO. 4

APPROVAL OF THE ADOPTION OF THE

B. RILEY FINANCIAL, INC. MANAGEMENT BONUS PLAN

The Company has adopted the B. Riley Financial, Inc. Management Bonus Plan (the “Bonus Plan”) effective as of June 16, 2015, subject to stockholder approval. At the Annual Meeting, the stockholders will be asked to approve the Bonus Plan. Stockholder approval of the adoption of the Bonus Plan is sought to permit the Company to use the Bonus Plan to achieve our goal of increasing stockholder value and to qualify the Bonus Plan under section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), thereby allowing the Company to make awards intended to qualify for deduction under section 162(m). If stockholders do not approve the adoption of the Bonus Plan, it will not be adopted and we will not be able to pay awards under the Bonus Plan to individuals subject to section 162(m). In that event, we will reserve the right to pay compensation under other arrangements, which may not be eligible for deductibility under section 162(m).

Summary of the Bonus Plan

The following paragraphs provide a summary of the principal features of the Bonus Plan and its operation. The summary is qualified in its entirety by reference to the full text of the Bonus Plan, a copy of which is attached hereto as Appendix B. In addition, a copy of the Bonus Plan may be obtained upon written request to the Company.

General. The purpose of the Bonus Plan is to increase stockholder value and the success of the Company by motivating key employees to perform to the best of their abilities and to achieve the Company’s objectives. The Bonus Plan’s goals are to be achieved by providing such employees with incentive awards only after the achievement of specified objective performance goals.

Administration. The Bonus Plan will be administered by the Compensation Committee of the Board of Directors (the “Compensation Committee”). The Compensation Committee may delegate specific administrative tasks to Company employees or others to assist with day-to-day administration of the Bonus Plan. To the extent such a delegation of authority has been made, the term “Compensation Committee” in this Proposal No. 4 should be read as “Compensation Committee or its delegate.” The Compensation Committee shall consist of two or more members of the Board who are not employees of the Company and who otherwise qualify as outside directors under Code section 162(m). Subject to the terms of the Bonus Plan, the Compensation Committee has sole discretion to:

- select the employees who will be eligible to receive awards;
- determine the target award for each participant;
- establish a period of time or “performance period” during which performance will be measured;
- set the performance goals that must be achieved during the performance period before any actual awards are paid;
- establish a payout formula to provide for an actual award greater or less than a participant’s target award to reflect actual performance versus the predetermined performance goals; and
- interpret the provisions of the Bonus Plan.

Participation and Eligibility. The Compensation Committee selects the employees of the Company who will be eligible to receive awards under the Bonus Plan for each performance period. The actual number of employees who will be eligible to receive an award during any particular performance period cannot be determined in advance because the Compensation Committee has discretion to select the participants.

Plan Operation. The duration of each performance period will be determined by the Compensation Committee in its discretion. The Compensation Committee currently expects that most performance periods under the Bonus Plan will last for one fiscal year but the Compensation Committee may establish shorter or longer performance periods in the future. However, no performance period may last longer than three fiscal years. Also, no participant may participate in more than three performance periods at any one time.

For each performance period, the Compensation Committee will designate the employees eligible to participate in that performance period and for each participant also will establish:

- a target award, expressed as a percentage of the participant’s base salary or a specific dollar amount; and
- the performance goal or goals that must be achieved before an award will be paid to the participant.

The performance goals will require the achievement of objectives for one or more of the following measures: (1) share price, (2) earnings per share, (3) total stockholder return, (4) revenue, (5) expenses, (6) gross margin, (7) profit margins, (8) operating margin, (9) operating income, (10) net operating income, (11) pre-tax profit, (12) net income, (13) earnings before interest, taxes and depreciation, (14) earnings before interest, taxes, depreciation and amortization, (15) earnings before interest, taxes, depreciation, amortization and share based compensation, (16) cash flow, operating cash flow, or cash flow or operating cash flow per share, (17) return on equity, (18) return on assets, (19) return on investment, (20) return on capital, (21) economic value added, (22) market share, (23) personal goals, (24) improvements in capital structure, (25) improvements in working capital, (26) improvement in or attainment of expense levels or working capital level, (27) budget comparisons, (28) expense management, (29) profitability of an identifiable business unit or product, (30) reduction in costs, (31) trading profits, and (32) Individual Objectives (as defined in the Bonus Plan). Performance goals may differ from participant to participant, performance period to performance period and from award to award.

The performance criteria may be applicable to the Company or an affiliate as a whole or a segment or a division of the Company or an affiliate. In addition, the performance criteria shall be calculated in accordance with generally accepted accounting principles, but excluding the effect (whether positive or negative) of any change in accounting standards and any extraordinary, unusual or non-recurring item, as determined by the Compensation Committee, occurring after the establishment of the performance goals for the performance period. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of the performance goals in order to prevent the dilution or enlargement of a participant's rights with respect to an award.

After the performance period ends, the Compensation Committee will certify the extent to which the pre-established performance goals actually were achieved. The actual award that is payable to a participant will be determined using a formula that increases or decreases the participant's target award based on the level of actual performance attained. However, the Bonus Plan limits actual awards to a maximum of \$6 million per person for any 12-month period within or constituting a performance period (even if the pre-established formula otherwise indicates a larger award), pro-rated for any performance period consisting of fewer than 12 months. Also, as indicated above, no participant may participate in more than three performance periods at any one time.

The Compensation Committee has discretion to reduce or eliminate the actual award to any participant. Also, unless determined otherwise by the Compensation Committee, a participant will forfeit the bonus if a participant terminates employment before the end of the performance period. However, the Compensation Committee has discretion to pay out part, or all, of the award.

Actual awards shall generally be paid in cash no later than two and one-half months after the performance period ends. However, the Compensation Committee has discretion to pay any such award in the form of restricted stock, restricted stock units, options and/or other stock awards under any of the Company's stock plans. Any such equity awards may be subject to additional vesting conditions, including additional performance goals, as determined by the Compensation Committee. The number of shares of restricted stock or restricted stock units granted may be increased or decreased if such new award is granted by the Compensation Committee subject to performance goals and otherwise meets the performance-based compensation requirements of section 162(m) of the Code.

Federal Income Tax Considerations

An actual award under the Bonus Plan generally will be compensation taxable as ordinary income (and subject to income tax withholding) when paid to the participant. The Company generally will be entitled to a corresponding deduction for federal income tax purposes, except as follows. Section 162(m) of the Code generally limits to \$1 million the amount of compensation that may be deducted by the Company in any tax year with respect to the Company's Chief Executive Officer and our three most highly compensated executive officers, other than our Chief Executive Officer and Chief Financial Officer. However, if the Company pays compensation that is "performance based" under section 162(m), the Company still may receive a federal income tax deduction for the compensation even

if it is more than \$1 million during a single year. The Bonus Plan is designed, and is intended to be administered, to allow the Company to pay incentive compensation that is designed to be performance based and therefore fully tax deductible on the Company's federal income tax return. Notwithstanding the foregoing, the rules and regulations promulgated under section 162(m) of the Code are complicated and subject to change from time to time, sometimes with retroactive effect. A number of requirements must be met in order for particular compensation to so qualify. As such, there can be no assurance that any compensation awarded or paid under the Bonus Plan will be deductible under all circumstances. In addition, the Company may decide to grant awards or other compensation not intended to qualify as performance-based compensation.

Amendment and Termination of the Plan

The Board or the Compensation Committee may amend or terminate the plan at any time and for any reason. However, no amendment or termination may impair the rights of a participant under a target award previously granted to such participant.

Plan Benefits

Our executive officers are eligible to receive awards under the Bonus Plan and, accordingly, our executive officers have an interest in this proposal. Non-employee directors are not eligible to receive awards under the Bonus Plan. Generally, awards granted under the Bonus Plan are at the discretion of the Compensation Committee. As such, it is not possible to determine the benefits or the amounts to be received under the Bonus Plan by the Company's executive officers or other employees because the Bonus Plan does not provide for set benefits or amounts with respect to awards granted under the Bonus Plan, and we have not approved any awards that are conditioned on stockholder approval of this Proposal 4. Similarly, the benefits or amounts which would have been received by or allocated to the Company's executive officers and our other employees for the last completed fiscal year if the Bonus Plan had been in effect cannot be determined.

Vote Required and Board of Directors Recommendation

The affirmative vote of the holders of a majority of the shares of Company common stock present in person or represented by proxy and voting on the matter is required to approve the Bonus Plan. Abstentions will be counted as present for purposes of determining the presence of a quorum and will have the same effect as a vote against this proposal. Broker non-votes will not affect the outcome of the vote on this proposal. The Board of Directors believes that the Bonus Plan is in the best interests of the Company and its stockholders for the reasons stated above.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE APPROVAL OF

THE ADOPTION OF THE B. RILEY FINANCIAL, INC. MANAGEMENT BONUS PLAN.

CORPORATE GOVERNANCE

Corporate Governance Guidelines

Our Board of Directors has adopted corporate governance guidelines to assist it in the exercise of its responsibilities and to serve the interests of the Company and our stockholders. The corporate governance guidelines are available for review on our website at <http://ir.brileyfin.com/governance.cfm>.

Director Independence

Our Board has unanimously determined that four (4) of our directors, Messrs. Hart, Hilton, Todaro and Young, a majority of the Board, are “independent” directors as that term is defined by Nasdaq Marketplace Rule 5605(a)(2). In addition, based upon such standards, the Board determined that Messrs. Riley and Gumaer are not “independent” because they are employees of the Company. Further, the Board determined that Mark D. Klein, who served as a director until August 2014, was an “independent” director as that term is defined by Nasdaq Marketplace Rule 5605(a)(2) and that Harvey M. Yellen, who served as a director until August 2014, was not independent because he was an employee of the Company at such time.

Nominations for Directors

Our Corporate Governance Committee evaluates and recommends to the Board of Directors director nominees for each election of directors. In fulfilling its responsibilities, the Corporate Governance Committee considers the following factors: (i) demonstrated personal integrity and moral character; (ii) willingness to apply sound and independent business judgment for the long-term interests of the stockholders; (iii) relevant business or professional experience, technical expertise or specialized skills; (iv) personality traits and background that appear to fit with those of the other directors to produce a collegial and cooperative Board responsive to the Company’s needs; and (v) ability to commit sufficient time to effectively carry out the substantial duties of a director. The Corporate Governance Committee and the Board will not consider as a director candidate anyone who is an officer, director or principal of an enterprise which is in substantial competition with the Company. Other than the foregoing factors, there are no stated minimum criteria for director nominees. However, the Corporate Governance Committee may also consider such other factors as it may deem are in the best interests of the Company and its stockholders. The Corporate Governance Committee does, however, recognize that under applicable regulatory requirements at least one member of the Board must, and believes that it is preferable that more than one member of the Board should, meet the criteria for an “audit committee financial expert” as defined by Securities and Exchange Commission (“SEC”) rules. Further, although the Company does not have a formal diversity policy, the Corporate Governance Committee seeks to nominate a board of directors that brings to the Company a variety of perspectives, skills, expertise, and sound business understanding and

judgment, derived from business, professional, governmental, finance, community and industry experience.

The Corporate Governance Committee identifies nominees by first evaluating the current members of the Board of Directors willing to continue in service. Current members of the Board of Directors with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. If any member of the Board of Directors up for re-election at an upcoming annual meeting of stockholders does not wish to continue in se