

B. Riley Financial, Inc.  
Form S-4  
March 17, 2017  
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As filed with the Securities and Exchange Commission on March 17, 2017

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM S-4**  
**REGISTRATION STATEMENT**  
*Under*  
***THE SECURITIES ACT OF 1933***

**B. RILEY FINANCIAL, INC.**  
**(Exact Name of Registrant as Specified in Its Charter)**

**DELAWARE**  
**(State or other jurisdiction of  
incorporation or organization)**

**7389**  
**(Primary standard industrial  
classification code number)**  
**21255 Burbank Boulevard, Suite 400**

**27-0223495**  
**(IRS employer  
identification number)**

**Woodland Hills, California 91367**

**(818) 884-3737**

**(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)**

**Alan N. Forman**

**Executive Vice President, General Counsel and Secretary**

**21255 Burbank Boulevard, Suite 400**

**Woodland Hills, California 91367**

**(818) 884-3737**

**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)**

*Copies of communications to:*

<b>Patrick S. Brown</b>	<b>Richard J. Hendrix</b>	<b>Nicholas G. Demmo</b>
	<b>FBR &amp; Co.</b>	<b>David E. Shapiro</b>
<b>Sullivan &amp; Cromwell LLP</b>	<b>Chairman and Chief Executive Officer</b>	<b>Wachtell, Lipton, Rosen and Katz</b>
<b>1888 Century Park East</b>	<b>1300 North Seventeenth Street</b>	<b>51 West 52nd Street</b>
<b>Suite 2100</b>	<b>Arlington, Virginia 22209</b>	<b>New York, New York 10019</b>
<b>Los Angeles, California 90067</b>	<b>Telephone: (703) 469-1128</b>	<b>Telephone: (212) 403-1000</b>
<b>Telephone: (310) 712-6600</b>		

**Approximate date of commencement of proposed sale to the public:**

As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed document.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  
Non-accelerated filer

Accelerated filer  
Smaller reporting company

#### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to be Registered <sup>(1)</sup>	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price <sup>(2)</sup>	Amount of Registration Fee <sup>(3)</sup>
Common shares, par value \$0.0001 per share	5,740,846	N/A	\$151,007,346	\$17,501.75

(1) Represents the maximum number of common shares, par value \$0.0001 per share, of B. Riley Financial, Inc., which we refer to as B. Riley, estimated to be issuable pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of March 15, 2017, and effective as of February 17, 2017, by and among FBR & Co., which we refer to as FBR, B. Riley and BRC Merger Sub, LLC in exchange for common shares, par value \$0.001 per share, of FBR, which we refer to as FBR common shares. This number is calculated based on the product of (a) 8,555,657, which is the sum of (i) 7,077,682 FBR common shares outstanding as of March 13, 2017, plus (ii) 1,477,975 FBR common shares subject to options and other equity-based awards of FBR outstanding and reserved for issuance under the equity plans of FBR as of March 13, 2017, multiplied by (b) 0.671, which is the exchange ratio under the merger agreement. In accordance with Rule 416, this registration statement also covers an indeterminate number of additional B. Riley securities as may be issuable as a result of stock splits, stock dividends or similar transactions.

(2) Calculated in accordance with Rules 457(c) and 457(f) under the Securities Act of 1933, as amended, the proposed maximum offering price is the product of (A) the average of the high and low sales prices of FBR common shares as reported on the NASDAQ Stock Market on March 14, 2017 (\$17.65) times (B) 8,555,657 (the maximum

number of FBR common shares expected to be exchanged for the common shares, par value \$0.0001 per share, of B. Riley, which we refer to as B. Riley common shares, being registered).

- (3) Computed in accordance with Rule 457(f) under the Securities Act of 1933, as amended, to be \$17,501.75, which is equal to 0.0001159 multiplied by the proposed maximum aggregate offering price of \$151,007,346.

**THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.**

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**Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold prior to the time the registration statement becomes effective. This joint proxy statement/prospectus shall not constitute an offer to sell nor shall there be any sale of these securities in any jurisdiction in which such offer or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED MARCH 17, 2017**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Shareholders of B. Riley Financial, Inc. and FBR & Co.,

B. Riley Financial, Inc., which we refer to as B. Riley, FBR & Co., which we refer to as FBR, and BRC Merger Sub, LLC, which we refer to as merger sub, have entered into a definitive merger agreement, which, as amended, modified or otherwise supplemented, we refer to as the merger agreement, that provides for the combination of B. Riley and FBR. Under the merger agreement, FBR will merge with and into merger sub, with merger sub continuing as the surviving company, which we refer to as the merger. Before we complete the merger, the stockholders of B. Riley must approve the issuance of common shares of B. Riley, par value \$0.0001 per share, which we refer to as B. Riley common shares, and the shareholders of FBR must approve the merger agreement. B. Riley stockholders will vote to approve the issuance of B. Riley common shares and approve related matters, as well as to approve the other matters to be considered at the annual meeting as described in this joint proxy statement/prospectus at their annual meeting of stockholders, which we refer to as the B. Riley annual meeting. FBR shareholders will vote to approve the merger agreement and approve related matters as described in this joint proxy statement/prospectus at their special meeting of shareholders, which we refer to as the FBR special meeting.

If the merger is completed, each common share of FBR, par value \$0.001 per share, which we refer to as FBR common shares, excluding certain specified shares, will be converted into and become exchangeable for 0.671 of a B. Riley common share, with cash paid in lieu of fractional B. Riley common shares, which we refer to as the merger consideration. Although the number of B. Riley common shares is fixed, the market value of the merger consideration will fluctuate with the market price of B. Riley common shares. B. Riley common shares and FBR common shares are traded on the NASDAQ Stock Market, which we refer to as Nasdaq, under the trading symbol RILY and FBRC, respectively. Based on the closing price of B. Riley common shares on February 17, 2017, the last trading day before the public announcement of the signing of the merger agreement, the value of the per share merger consideration payable to holders of FBR common shares was \$11.78. Based on the closing price of B. Riley common shares on [ ], 2017 of \$[ ], the merger consideration represented approximately \$[ ] in value for FBR common shares. **We urge you to obtain current market quotations for B. Riley and FBR.**

Prior to the closing, the FBR board of directors intends to declare and cause FBR to pay a cash dividend, which we refer to as the pre-closing dividend. As of the date hereof, FBR expects the pre-closing dividend on a per share basis to be equal to \$8.50. See The Merger Agreement Pre-Closing Dividend in the attached joint proxy statement/prospectus. We expect the merger to be tax-free for FBR shareholders. The preceding sentence does not apply to the pre-closing dividend, which will be taxed in the manner described in Material U.S. Federal Income Tax Consequences of the Merger in the attached joint proxy statement/prospectus. After completion of the merger, based on the issued and outstanding B. Riley common shares as of the close of business on the record date and the [ ] B. Riley common shares expected to be issued to FBR shareholders, FBR shareholders would own approximately [ ]%

of the B. Riley common shares (not taking into account any B. Riley common shares they may already own).

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Your vote is very important, regardless of the number of shares you own. The merger cannot be completed unless:

The affirmative vote of a majority of the votes entitled to be cast on the approval of the merger agreement at the FBR special meeting at which a quorum is present vote to approve the merger agreement. A failure to vote or an abstention will have the same effect as a vote against the approval of the merger agreement.

The affirmative vote of a majority of the total votes cast at the B. Riley annual meeting at which a quorum is present vote to approve the issuance of B. Riley common shares in connection with the merger agreement. A failure to vote or an abstention will have no effect on the approval of the issuance of B. Riley common shares in connection with the merger agreement, assuming a quorum.

The B. Riley annual meeting will be held at [ ], at [ ], Pacific Time, on [ ], 2017. The FBR special meeting will be held at [ ], at [ ], Eastern Time, on [ ], 2017.

Even if you plan to attend the FBR special meeting or the B. Riley annual meeting in person, FBR and B. Riley request that you complete, sign, date and return, as promptly as possible, the enclosed proxy or voting instruction card in the accompanying prepaid reply envelope or submit your proxy by telephone or the Internet prior to the FBR special meeting or the B. Riley annual meeting, as applicable, to ensure that your FBR common shares or B. Riley common shares, as applicable, will be represented at such special meeting if you are unable to attend. If you hold your shares in street name through a bank, brokerage firm or other nominee, you should follow the procedures provided by your bank, brokerage firm or other nominee to vote your shares.

The B. Riley board of directors has determined that the combination of B. Riley and FBR is in the best interests of B. Riley and its stockholders based upon its analysis, investigation and deliberation, and the B. Riley board of directors recommends that B. Riley stockholders vote **FOR** the issuance of B. Riley common shares as set forth in the merger agreement, **FOR** the approval of adjournments of the B. Riley annual meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the B. Riley share issuance proposal and **FOR** the other matters to be considered at the B. Riley annual meeting.

The FBR board of directors has determined that the combination of FBR and B. Riley is in the best interests of FBR and its shareholders based upon its analysis, investigation and deliberation, and the FBR board of directors recommends that the FBR shareholders vote **FOR** the approval of the merger agreement, **FOR** the approval of the compensation of FBR's named executive officers that is based on or otherwise relates to the merger and **FOR** the approval of adjournments of the FBR special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the FBR merger proposal.

You should read this entire joint proxy statement/prospectus, including the appendices and the documents incorporated by reference into the document, carefully because it contains important information about the B. Riley annual meeting, the FBR special meeting and the merger and the related transactions. **In particular, you should read carefully the information under the section entitled Risk Factors beginning on page [ ] for a discussion of the risks you should consider in evaluating the proposed merger and how they will affect you.**

Sincerely,

Bryant R. Riley

*Chairman and Chief Executive Officer*  
B. Riley Financial, Inc.

Richard J. Hendrix

*Chairman and Chief Executive Officer*  
FBR & Co.



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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger described in this joint proxy statement/prospectus or the B. Riley common shares to be issued in the merger, or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is dated [ ], 2017, and is first being mailed to the stockholders of B. Riley and the shareholders of FBR on or about [ ], 2017.

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**B. RILEY FINANCIAL, INC.**

**21255 BURBANK BOULEVARD, SUITE 400**

**WOODLAND HILLS, CALIFORNIA 91367**

**(818) 884-3737**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON [ ], 2017**

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

Notice is hereby given that the annual meeting of stockholders of B. Riley Financial, Inc., which we refer to as B. Riley, will be held at [ ], at [ ], Pacific Time, on [ ], 2017, which we refer to as the B. Riley annual meeting, for the following purposes:

to approve the issuance of common shares, par value \$0.0001 per share, of B. Riley pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of March 15, 2017, and effective as of February 17, 2017 (as amended, modified or otherwise supplemented), by and among FBR & Co., B. Riley and BRC Merger Sub, LLC, which we refer to as merger sub, pursuant to which FBR will merge with and into merger sub, as more fully described in the attached joint proxy statement/prospectus, which we refer to as the B. Riley share issuance proposal;

to approve one or more adjournments of the B. Riley annual meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the B. Riley share issuance proposal, which we refer to as the B. Riley adjournment proposal;

to elect seven (7) directors to hold office for a one-year term to expire at B. Riley's 2018 Annual Meeting of the Stockholders or until their successors are elected and duly qualified, which we refer to as the election of the B. Riley directors;

to ratify the selection of Marcum, LLP as B. Riley's independent registered public accounting firm for the fiscal year ending December 31, 2017, which we refer to as the B. Riley accounting firm ratification proposal; and

to transact such other business as may properly come before the B. Riley annual meeting or any adjournment or postponement thereof.

The approval by B. Riley's stockholders of the B. Riley share issuance proposal is required for the completion of the merger described in the attached joint proxy statement/prospectus. The approval of the other matters to be voted on at the B. Riley annual meeting is *not* required for the completion of the merger, and the outcome of the vote on such

other matters will have no effect on the merger.

All stockholders are invited to attend the B. Riley annual meeting. Only those stockholders of record at the close of business on [ ], 2017, will be entitled to notice of the B. Riley annual meeting and to vote at the B. Riley annual meeting and any adjournment or postponement thereof. You must present your proxy or voter information card or meeting notice for admission.

Please refer to the attached joint proxy statement/prospectus with respect to the business to be transacted at the B. Riley annual meeting.

**Your vote is very important. To ensure your representation at the B. Riley annual meeting, please complete, sign, date and return, as promptly as possible, the enclosed proxy card or voting instruction card in**

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**the accompanying prepaid reply envelope or submit your proxy by telephone or through the Internet.** Please vote promptly whether or not you expect to attend the B. Riley annual meeting. Submitting a proxy now will not prevent you from being able to vote in person at the B. Riley annual meeting.

**The B. Riley board of directors has unanimously approved the merger agreement and the transactions contemplated thereby and recommends that you vote FOR the B. Riley share issuance proposal, FOR the B. Riley adjournment proposal, FOR the election of the B. Riley directors and FOR the B. Riley accounting firm ratification proposal.**

BY ORDER OF THE BOARD OF  
DIRECTORS

Bryant R. Riley  
Chairman and Chief Executive Officer

Woodland Hills, California

[ ], 2017

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2017  
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON [ ], 2017**

Copies of the attached joint proxy statement/prospectus and B. Riley's 2016 Annual Report to stockholders are available online at: <http://www.viewproxy.com/brileyfin/2017/>.

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**FBR & CO.**

**1300 NORTH SEVENTEENTH STREET**

**ARLINGTON, VIRGINIA 22209**

**(703) 312-9500**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD [ ], 2017**

To the Shareholders of FBR & Co.:

Notice is hereby given that a special meeting of shareholders of FBR & Co., which we refer to as FBR, will be held at [ ], at [ ], Eastern Time, on [ ], 2017, which we refer to as the FBR special meeting, for the following purposes:

to approve the Amended and Restated Agreement and Plan of Merger, dated as of March 15, 2017, and effective as of February 17, 2017 (as amended, modified or otherwise supplemented), by and among FBR, B. Riley Financial, Inc. and BRC Merger Sub, LLC, which we refer to as merger sub, pursuant to which FBR will merge with and into merger sub, which we refer to as the merger, as more fully described in the attached joint proxy statement/prospectus, which we refer to as the FBR merger proposal;

to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to FBR's named executive officers in connection with the merger, and the agreements and understandings pursuant to which such compensation may be paid or become payable, as discussed under the section entitled "The Merger - Interests of FBR's Directors and Executive Officers in the Merger" in the attached joint proxy statement/prospectus, which we refer to as the merger-related named executive officer compensation proposal; and

to approve one or more adjournments of the FBR special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the FBR merger proposal, which we refer to as the FBR adjournment proposal.

FBR will transact no other business at the FBR special meeting, except for business properly brought before the FBR special meeting or any adjournment or postponement of such meeting.

The approval by FBR's shareholders of the FBR merger proposal is required for the completion of the merger described in the attached joint proxy statement/prospectus. Approval of the advisory (non-binding) proposal with respect to the compensation that may be paid or become payable to FBR's named executive officers in connection with the merger is not a condition to completion of the merger, and failure to approve this advisory matter will have no effect on the vote to approve the merger proposal.

All shareholders are invited to attend the FBR special meeting. Only those shareholders of record at the close of business on [ ], 2017, will be entitled to notice of the FBR special meeting and to vote at the FBR special meeting.

Please refer to the attached joint proxy statement/prospectus with respect to the business to be transacted at the FBR special meeting.

**Your vote is very important. To ensure your representation at the FBR special meeting, please complete, sign, date and return, as promptly as possible, the enclosed proxy card or voting instruction card in the accompanying prepaid reply envelope or submit your proxy by telephone or through the Internet.** Please vote promptly whether or not you expect to attend the FBR special meeting. Submitting a proxy now will not prevent you from being able to vote in person at the FBR special meeting.

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**The FBR board of directors has unanimously approved the merger agreement and the transactions contemplated thereby and recommends that you vote FOR the FBR merger proposal, FOR the merger-related named executive officer compensation proposal and FOR the FBR adjournment proposal.**

BY ORDER OF THE BOARD OF  
DIRECTORS

Gavin A. Beske  
Senior Vice President, General Counsel and  
Corporate Secretary

Arlington, Virginia

[ ], 2017

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**WHERE YOU CAN FIND MORE INFORMATION**

Both B. Riley Financial, Inc., which we refer to as B. Riley, and FBR & Co., which we refer to as FBR, file annual, quarterly and current reports, proxy statements and other business and financial information with the Securities and Exchange Commission, which we refer to as the SEC. You may read and copy any materials that either B. Riley or FBR files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) SEC-0330 ((800) 732-0330) for further information on the public reference room. In addition, B. Riley and FBR file reports and other business and financial information with the SEC electronically, and the SEC maintains a website located at <http://www.sec.gov> containing this information. You can also obtain, free of charge, documents that B. Riley files with the SEC at [www.brileyfin.com](http://www.brileyfin.com) under the tab Investor Relations or documents that FBR files with the SEC at [www.fbr.com](http://www.fbr.com) under the tab Investor Relations. The information provided on the B. Riley and FBR websites is not part of this joint proxy statement/prospectus and is not incorporated herein by reference. Paper or email copies of the documents that B. Riley or FBR files with the SEC can also be obtained, free of charge, by either directing a written request to B. Riley Financial, Inc., Attention: Corporate Secretary, 21255 Burbank Boulevard, Suite 400, Woodland Hills, California 91367, calling 800-85-GREAT (800-854-7328) or emailing [ir@brileyfin.com](mailto:ir@brileyfin.com); or by directing a written request to FBR & Co., Attention: Corporate Secretary, 1300 North Seventeenth Street, Arlington, Virginia 22209, calling FBR's proxy solicitor, D.F. King & Co., at (866) 620-0678 or emailing [fbrir@fbr.com](mailto:fbrir@fbr.com).

B. Riley has filed a registration statement on Form S-4 to register with the SEC the B. Riley common shares as specified therein. This joint proxy statement/prospectus is a part of that registration statement. As permitted by SEC rules, this joint proxy statement/prospectus does not contain all of the information included in the registration statement or in the exhibits or schedules to the registration statement. You may read and copy the registration statement, including any amendments, schedules and exhibits, at the addresses set forth below. Statements contained in this joint proxy statement/prospectus as to the contents of any contract or other documents referred to in this joint proxy statement/prospectus are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to, or incorporated by reference into, the registration statement. This joint proxy statement/prospectus incorporates important business and financial information about B. Riley and FBR that is not included in or delivered with this joint proxy statement/prospectus, including incorporating by reference documents that B. Riley and FBR have previously filed with the SEC. These documents contain important information about the companies and their financial condition. See Documents Incorporated by Reference. These documents are available without charge to you upon written or oral request to the applicable company's principal executive offices. The respective addresses and telephone numbers of such principal executive offices are listed below:

B. Riley Financial, Inc.	FBR & Co.
21255 Burbank Boulevard, Suite 400	1300 North Seventeenth Street
Woodland Hills, California 91367	Arlington, Virginia 22209
Attention: Corporate Secretary	Attention: Corporate Secretary
Telephone: (818) 884-3737	Telephone: (703) 312-9500

**To obtain timely delivery of these documents, you must request the information no later than [ ], 2017, in order to receive them before the annual meeting of B. Riley stockholders, which we refer to as the B. Riley annual**



**meeting, and the special meeting of FBR shareholders, which we refer to as the FBR special meeting.**

B. Riley common shares, par value \$0.0001 per share, which we refer to as B. Riley common shares, are traded on the NASDAQ Stock Market, which we refer to as Nasdaq, under the symbol RILY, and FBR common shares, par value \$0.001 per share, which we refer to as FBR common shares, are traded on Nasdaq under the symbol FBRC.

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THIS JOINT PROXY STATEMENT/PROSPECTUS DOES NOT CONSTITUTE THE SOLICITATION OF A PROXY IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH PROXY SOLICITATION IN THAT JURISDICTION. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE INTO THIS JOINT PROXY STATEMENT/PROSPECTUS TO VOTE YOUR FBR COMMON SHARES OR B. RILEY COMMON SHARES, AS APPLICABLE, AT THE FBR SPECIAL MEETING OR THE B. RILEY ANNUAL MEETING. B. RILEY AND FBR HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS JOINT PROXY STATEMENT/PROSPECTUS. THIS JOINT PROXY STATEMENT/PROSPECTUS IS DATED [ ], 2017. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS JOINT PROXY STATEMENT/PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND THE MAILING OF THIS JOINT PROXY STATEMENT/PROSPECTUS TO STOCKHOLDERS DOES NOT CREATE ANY IMPLICATION TO THE CONTRARY.

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Appendix A	Amended and Restated Agreement and Plan of Merger, dated as of March 15, 2017, and effective as of February 17, 2017, by and among FBR & Co., B. Riley Financial, Inc. and BRC Merger Sub, LLC.
Appendix B	Form of Voting Agreement, dated as of February 17, 2017, by and between B. Riley Financial, Inc., and certain shareholders of FBR & Co.
Appendix C	Form of Voting Agreement, dated as of February 17, 2017, by and between FBR & Co. and certain stockholders of B. Riley Financial, Inc.
Appendix D	Opinion of Berkshire Capital Securities LLC.

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**QUESTIONS AND ANSWERS**

*The following questions and answers are intended to briefly address some commonly asked questions about the merger and the respective shareholder meetings. They may not address all questions or include all the information that is important to the shareholders of B. Riley or FBR. Shareholders of B. Riley and FBR should each carefully read this entire joint proxy statement/prospectus, including the appendices and other documents referred to in or incorporated by reference in this joint proxy statement/prospectus.*

**Q: What is the merger?**

**A:** B. Riley, FBR and BRC Merger Sub, LLC, which we refer to as merger sub, have entered into an agreement and plan of merger, which, as amended, modified or otherwise supplemented, we refer to as the merger agreement, pursuant to which, subject to the terms and conditions of the merger agreement, FBR will merge with and into merger sub, with merger sub continuing as the surviving company, which we refer to as the merger. A copy of the merger agreement is attached as **Appendix A** to this joint proxy statement/prospectus. In order to complete the merger, B. Riley needs the approval of its stockholders as to the issuance of B. Riley common shares in the merger and FBR needs the approval of its shareholders of the merger agreement.

**Q: Why am I receiving these materials?**

**A:** Each of B. Riley and FBR is sending these materials to its shareholders to help them decide how to vote their shares of B. Riley and FBR with respect to the proposed merger and other matters to be considered at the respective meetings, described below.

The merger cannot be completed unless the holders of B. Riley common shares, which we refer to as the B. Riley stockholders, approve the issuance of B. Riley common shares in the merger, and the holders of FBR common shares, which we refer to as the FBR shareholders, approve the merger agreement. FBR is holding a special meeting of shareholders to vote on the proposals necessary to complete the merger. After the announcement of the merger, B. Riley made the decision to combine the annual meeting with the meeting necessary to approve the issuance of B. Riley common shares in connection with the merger. This is intended to reduce costs and create efficiencies by having only one meeting, where both the merger and the customary annual meeting matters will be presented. Accordingly, at the B. Riley annual meeting, in addition to the merger-related proposals described in this document, the B. Riley stockholders will be asked to, among other items, elect members of the B. Riley board of directors and ratify the selection of B. Riley's accountants.

Information about the FBR special meeting, the B. Riley annual meeting and the merger is contained in this joint proxy statement/prospectus.

This joint proxy statement/prospectus constitutes both a joint proxy statement of B. Riley and FBR and a prospectus of B. Riley. It is a joint proxy statement because each of the B. Riley board of directors and the FBR board of directors is soliciting proxies from their respective shareholders. It is a prospectus because B. Riley will issue B. Riley common shares in exchange for FBR common shares in the merger.

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This joint proxy statement/prospectus contains important information about the merger and the other proposals being voted on at the B. Riley annual meeting and the FBR special meeting and important information to consider in connection with an investment in B. Riley common shares. You should read it carefully and in its entirety. The enclosed materials allow you to have your common shares voted by proxy without attending your meeting. Your vote is important and we encourage you to submit your proxy as soon as possible.

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**Q: What will FBR shareholders receive in the merger?**

**A:** If the merger is consummated, each FBR common share owned by an FBR shareholder will be converted into and become exchangeable for 0.671 of a B. Riley common share. For each fractional B. Riley common share that would otherwise be issued, B. Riley will pay cash in an amount equal to the fraction of a B. Riley common share (rounded to the nearest thousandth when expressed in decimal form) which the FBR shareholder would otherwise be entitled to receive multiplied by the average of the per share closing prices of B. Riley common shares on Nasdaq (as reported in *The Wall Street Journal* (Northeast edition) or, if not reported thereby, another authoritative source) for 20 full trading days ending on the fifth business day prior to the closing, which shall take place on the first business day, which we refer to as the closing date, after the satisfaction or waiver of all the closing conditions (other than those conditions that by their nature are to be satisfied at the closing, but subject to the satisfaction or waiver of those conditions), unless otherwise mutually agreed upon in writing by B. Riley and FBR.

In addition, pursuant to the merger agreement, prior to the closing, the FBR board of directors intends to declare and cause FBR to pay a cash dividend, which we refer to as the pre-closing dividend. See Questions and Answers What is the Pre-Closing Dividend? As of the date of this joint proxy statement/prospectus, FBR expects the pre-closing dividend on a per share basis to be equal to \$8.50.

**Q: Will the value of the merger consideration change between the date of this joint proxy statement/prospectus and the time the merger is completed?**

**A:** Yes. Although the number of B. Riley common shares that FBR shareholders will receive in the merger is fixed, the value of the merger consideration will fluctuate between the date of this joint proxy statement/prospectus and the completion of the merger based upon the market value of B. Riley common shares. Any fluctuation in the market price of B. Riley common shares after the date of this joint proxy statement/prospectus will change the value of the B. Riley common shares that FBR shareholders will receive.

**Q: What is the pre-closing dividend?**

**A:** Pursuant to the merger agreement, the FBR board of directors intends to declare and cause FBR to pay a pre-closing cash dividend to FBR shareholders, as long as certain conditions are met, including, among others, that after the pre-closing dividend has been made FBR would have at least \$33,500,000 in cash and cash equivalents and certain financial instruments (subject to certain adjustments), plus any amounts necessary to pay any accrued transaction expenses, which we refer to as the minimum cash and financial instrument amount. If FBR will have at least the minimum cash and financial instrument amount after giving effect to the pre-closing dividend, the available funds will be paid as a dividend to FBR shareholders in an amount per share of up to and including \$8.50. In addition, if there are excess available funds, a part of the excess available funds may be paid as part of the pre-closing dividend. See The Merger Agreement Pre-Closing Dividend.

In addition, although pursuant to the merger agreement the FBR board of directors intends to declare and cause FBR to pay a pre-closing cash dividend to FBR shareholders as long as certain conditions are met, including, among others, that after the pre-closing dividend has been made FBR would have at least the minimum cash and financial instrument amount, there is no assurance that the FBR board of directors will be permitted to pay the pre-closing dividend under

the terms of the merger agreement or applicable law. In addition, there is no assurance that there will be available funds sufficient to provide for a pre-closing dividend of \$8.50 per share or a higher per share amount, if any, and even if a pre-closing dividend is paid it may be significantly less than \$8.50 per share. See The Merger Agreement Pre-Closing Dividend.

**Q: What happens to FBR equity awards in the merger?**

**A:** *FBR Options.* At the effective time, each outstanding option to acquire FBR common shares, which we refer to as an FBR option, will be cancelled and converted into a number of B. Riley common shares having a

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value equal to the value of an FBR common share prior to the payment of the pre-closing dividend, which we refer to as the final pre-dividend price, less the applicable exercise price and subject to rounding. Any option that has an exercise price that is greater than or equal to the final pre-dividend price will be cancelled for no consideration.

*FBR Restricted Stock Awards.* At the effective time, each outstanding share of restricted stock of FBR will be converted into (i) a number of restricted B. Riley common shares equal to the exchange ratio of 0.671 (rounded to the nearest whole number) and (ii) the right to receive a cash payment in respect of the pre-closing dividend. After the effective time, the restricted B. Riley common shares and the right to receive a cash payment in respect of the pre-closing dividend will continue to be governed by the same terms and conditions (including vesting terms with respect to employees) as applied to the applicable share of FBR restricted stock immediately prior to the effective time. The FBR restricted stock held by FBR's non-employee directors will vest as of immediately prior to the effective time and be treated like FBR common shares generally.

*FBR RSUs.* At the effective time, each outstanding restricted stock unit of FBR, which we refer to as an FBR RSU, whether vested or unvested, will be converted into (i) a restricted stock unit denominated in B. Riley common shares, which we refer to as a B. Riley stock-based RSU, covering a number of B. Riley common shares equal to the product (rounded to the nearest whole number) of the exchange ratio of 0.671 and the number of FBR common shares subject to such FBR RSU immediately prior to the effective time and (ii) the right to receive a cash payment in respect of the pre-closing dividend. After the effective time, the B. Riley stock-based RSU and the right to receive a cash payment in respect of the pre-closing dividend will continue to be governed by the same terms and conditions (including vesting conditions with respect to employees) as applied to the applicable FBR RSU immediately prior to the effective time. The FBR RSUs held by FBR's non-employee directors will vest as of immediately prior to the effective time and be settled following the effective time consistent with the terms of the award.

*FBR PSUs.* At the effective time, each outstanding performance stock unit of FBR, which we refer to as an FBR PSU, whether vested or unvested, will be converted into (i) a B. Riley stock-based RSU covering a number of B. Riley common shares equal to the product (rounded to the nearest whole number) of the exchange ratio of 0.671 and the number of FBR common shares subject to the FBR PSU based on the greater of (x) the number of FBR common shares that would be earned based on actual performance for the most recently completed fiscal quarter prior to the effective time, as reasonably determined by the compensation committee of the FBR board of directors and (y) the level of achievement resulting in 50% of the number of FBR common shares being earned, and (ii) the right to receive a cash payment in respect of the pre-closing dividend. After the effective time, the B. Riley stock-based RSU and the right to receive a cash payment in respect of the pre-closing dividend will continue to be governed by the same terms and conditions (excluding performance-based vesting conditions, but including time-based vesting conditions) as applied to the applicable FBR PSU immediately prior to the effective time.

*FBR Investor Options.* At the effective time, each outstanding option to acquire FBR common shares granted under the Stock Option Agreement, dated as of June 5, 2013, by and between FBR and the investor that is a party thereto, which we refer to as the FBR investor option, whether vested or unvested, will cease to represent an option to purchase FBR common shares and will be converted into an option, which we refer to as a B. Riley option, to purchase B. Riley common shares, with the number of B. Riley common shares and exercise price equitably adjusted to reflect the pre-closing dividend and the B. Riley common shares to be issued in the merger. After the effective time, the FBR investor options will continue to be governed by the same terms and conditions as applied to the applicable FBR investor option immediately prior to the effective time.

See The Merger Agreement Treatment of FBR Equity Awards.



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**Q: When do you expect to complete the merger?**

**A:** Subject to the satisfaction or waiver of the closing conditions described under the section entitled "The Merger Agreement" Conditions to the Merger, FBR and B. Riley currently expect that the merger will occur in the second quarter of 2017. However, there can be no assurance as to when or if the merger will occur.

**Q: Who is entitled to vote?**

**A:** *B. Riley Annual Meeting.* B. Riley stockholders of record at the close of business on [ ], 2017, which is the date that the B. Riley board of directors has fixed as the record date for the B. Riley annual meeting, are entitled to vote at the B. Riley annual meeting.

*FBR Special Meeting.* FBR shareholders of record at the close of business on [ ], 2017, which is the date that the FBR board of directors has fixed as the record date for the FBR special meeting, are entitled to vote at the FBR special meeting.

**Q: What constitutes a quorum?**

**A:** *B. Riley Annual Meeting.* The representation (in person or by proxy) of holders of at least a majority in voting power of all issued and outstanding B. Riley common shares entitled to vote at the B. Riley annual meeting constitutes a quorum for action at the B. Riley annual meeting. All B. Riley common shares present in person or represented by proxy, including abstentions, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the B. Riley annual meeting.

*FBR Special Meeting.* The representation (in person or by proxy) of holders of at least a majority in voting power of all issued and outstanding FBR common shares entitled to vote at the FBR special meeting constitutes a quorum for action at the FBR special meeting. All FBR common shares present in person or represented by proxy, including abstentions, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the FBR special meeting.

**Q: What am I being asked to vote on?**

**A:** *B. Riley Annual Meeting.* B. Riley stockholders are being asked to vote on the following proposals:

*Approval of the Issuance of Common Shares.* To approve the issuance of B. Riley common shares in the merger, which we refer to as the B. Riley share issuance proposal.

*Adjournment of Meeting.* To approve one or more adjournments of the B. Riley annual meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the B. Riley share issuance



proposal, which we refer to as the B. Riley adjournment proposal.

*Election of Directors.* To elect seven (7) directors to hold office for a one-year term to expire at B. Riley's 2018 Annual Meeting of the Stockholders or until their successors are elected and duly qualified, which we refer to as the election of the B. Riley directors.

*Ratification of Accounting Firm.* To ratify the selection of Marcum, LLP as B. Riley's independent registered public accounting firm for the fiscal year ending December 31, 2017, which we refer to as the B. Riley accounting firm ratification proposal.

*FBR Special Meeting.* FBR shareholders are being asked to vote on the following proposals:

*Approval of the Merger Agreement.* To approve the merger agreement, which we refer to as the FBR merger proposal.

*Non-Binding Approval of Certain Compensation.* To approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to FBR's named executive officers in connection with the merger, and the agreements or understandings pursuant to which such compensation may be paid or become payable, which we refer to as the merger-related named executive officer compensation proposal.

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*Adjournment of Meeting.* To approve one or more adjournments of the FBR special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the FBR merger proposal, which we refer to as the FBR adjournment proposal.

**Q: What vote is required to approve each proposal to be considered at the B. Riley annual meeting?**

**A:** *The B. Riley Share Issuance Proposal.* The affirmative vote of holders of a majority of the outstanding B. Riley common shares present in person or represented by proxy and entitled to vote on the B. Riley share issuance proposal at the B. Riley annual meeting at which a quorum is present is required to approve the B. Riley share issuance proposal.

*The B. Riley Adjournment Proposal.* The affirmative vote of holders of a majority of the outstanding B. Riley common shares present in person or represented by proxy at the B. Riley annual meeting and entitled to vote at the B. Riley annual meeting, whether or not a quorum is present, is required to approve the B. Riley adjournment proposal.

*The Election of the B. Riley Directors.* The affirmative vote of a plurality of the votes cast in favor of each director at the B. Riley annual meeting at which a quorum is present is required to approve the election of each such director.

*The B. Riley Accounting Firm Ratification Proposal.* The affirmative vote of holders of a majority of the outstanding B. Riley common shares present in person or represented by proxy and entitled to vote on the B. Riley accounting firm ratification proposal at the B. Riley annual meeting at which a quorum is present is required to approve the B. Riley accounting firm ratification proposal.

**Q: What vote is required to approve each proposal to be considered at the FBR special meeting?**

**A:** *The FBR Merger Proposal.* The affirmative vote of a majority of the votes entitled to be cast on the FBR merger proposal is required to approve the FBR merger proposal at the FBR special meeting at which a quorum is present.

*The Merger-Related Named Executive Officer Compensation Proposal.* The vote to approve, on an advisory basis, the merger-related named executive officer compensation proposal is not binding on B. Riley, FBR, the FBR board of directors or the compensation committee of the FBR board of directors. The vote to approve, on an advisory basis, merger-related named executive officer compensation will be approved if the votes cast in favor of the proposal exceed the votes cast opposing the proposal at the FBR special meeting at which a quorum is present.

*The FBR Adjournment Proposal.* The affirmative vote of holders of a majority of the FBR common shares represented at the FBR special meeting, whether or not a quorum is present, is required to approve the FBR adjournment proposal.

**Q: What will happen if FBR's shareholders do not approve, on an advisory (non-binding) basis, the merger-related named executive officer compensation proposal?**

**A:**

The vote on the merger-related named executive officer compensation proposal is a vote separate and apart from the vote to approve the merger agreement. FBR shareholders may vote for this proposal and against the merger proposal, or vice versa. FBR shareholders also may abstain from this proposal and vote on the merger proposal, or vice versa. The vote to approve, on an advisory basis, the merger-related named executive officer compensation proposal is not binding on B. Riley, FBR, the FBR board of directors or the compensation committee of the FBR board of directors. The merger-related named executive officer compensation to be paid in connection with the merger is based on contractual arrangements with the named executive officers and accordingly the outcome of this advisory vote will not affect the obligation to make these payments.

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**Q: Are there any voting agreements with existing shareholders?**

**A:** Yes. In connection with entering into the merger agreement, B. Riley entered into voting agreements, which we refer to as the B. Riley voting agreements, with the directors and executive officers of FBR, the form of which is attached as **Appendix B**, in which they have agreed to vote all FBR common shares that they own and have the power to vote in favor of the FBR merger proposal and any other matter that is required to be approved by the shareholders of FBR to facilitate the transactions contemplated by the merger agreement. As of the close of business on the record date, these shareholders beneficially owned, in the aggregate, [ ] FBR common shares, allowing them to exercise approximately [ ]% of the voting power of FBR common shares. Also in connection with entering into the merger agreement, FBR entered into voting agreements, which we refer to as the FBR voting agreements, with the directors and executive officers of B. Riley, the form of which is attached as **Appendix C**, in which they have agreed to vote all B. Riley common shares that they own and have the power to vote in favor of the B. Riley share issuance proposal and any other matter that is required to be approved by the stockholders of B. Riley to facilitate the transactions contemplated by the merger agreement. As of the close of business on the record date, these stockholders beneficially owned, in the aggregate, [ ] B. Riley common shares, allowing them to exercise approximately [ ]% of the voting power of B. Riley common shares.

**Q: How does the B. Riley board of directors recommend that I vote?**

**A:** The B. Riley board of directors recommends that B. Riley stockholders vote **FOR** the proposals described in this joint proxy statement/prospectus.

**Q: How does the FBR board of directors recommend that I vote?**

**A:** The FBR board of directors recommends that FBR shareholders vote **FOR** the proposals described in this joint proxy statement/prospectus.

**Q: What do I need to do now?**

**A:** After carefully reading and considering the information contained in this joint proxy statement/prospectus, please vote by telephone or on the Internet, or complete, sign and date the enclosed proxy card and return it in the enclosed envelope as soon as possible so that your shares will be represented at the B. Riley annual meeting or FBR special meeting, as applicable.

Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker, bank or other nominee.

**Q: What do I do if I receive more than one joint proxy statement/prospectus or set of voting instructions?**

**A:** If you hold shares of B. Riley and/or FBR directly as a record holder and also in street name, or otherwise through a nominee, you may receive more than one joint proxy statement/prospectus and/or set of voting instructions relating to the B. Riley annual meeting and/or the FBR special meeting. These should each be voted or returned separately to ensure that all of your shares are voted.

**Q: How do I vote?**

**A:** If you are a stockholder of record of B. Riley as of the record date for the B. Riley annual meeting or a shareholder of record of FBR as of the FBR record date for the FBR special meeting, you may vote by:

accessing the Internet website specified on your proxy card;

calling the toll-free number specified on your proxy card; or

signing the enclosed proxy card and returning it in the postage-paid envelope provided.

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You may also cast your vote in person at your respective company's meeting. Requests for directions to the B. Riley annual meeting should be directed to B. Riley's Corporate Secretary at 21255 Burbank Boulevard, Suite 400, Woodland Hills, California 91367, Telephone No. (818) 884-3737. Requests for directions to the FBR special meeting should be directed to FBR's Corporate Secretary at c/o FBR & Co., 1300 North Seventeenth Street, Suite 1400, Arlington, Virginia 22209.

If your shares are held in street name through a broker, bank or other nominee, that institution will send you separate instructions describing the procedure for voting your shares. Holders in street name who wish to vote in person at the applicable meeting will need to obtain a proxy form from the institution that holds their shares.

**Q: When and where is the B. Riley annual meeting and the FBR special meeting?**

**A:** The B. Riley annual meeting will be held at [ ], at [ ], Pacific Time, on [ ], 2017. All stockholders of B. Riley as of the B. Riley record date, or their duly appointed proxies, may attend the B. Riley annual meeting.

The FBR special meeting will be held at [ ], at [ ], Eastern Time, on [ ], 2017. All shareholders of FBR as of the FBR record date, or their duly appointed proxies, may attend the FBR special meeting.

**Q: If my shares are held in street name by a broker, bank or other nominee, will my broker or nominee vote my shares for me?**

**A:** If your shares are held in street name in a stock brokerage account or by a bank or other nominee, you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank or broker. Please note that you may not vote shares held in street name by returning a proxy card directly to B. Riley or FBR or by voting in person at your meeting unless you provide a legal proxy, which you must obtain from your broker, bank or other nominee.

Brokers, banks or other nominees who hold shares in street name for a beneficial owner typically have the authority to vote in their discretion on routine proposals, such as, with respect to the B. Riley annual meeting, the B. Riley accounting firm ratification proposal, when they have not received instructions from beneficial owners. However, brokers, banks or other nominees are not allowed to exercise their voting discretion on matters that are determined to be non-routine matters, such as (i) with respect to the FBR special meeting, the approval of the FBR merger proposal, the FBR merger-related named executive officer compensation proposal and the FBR adjournment proposal, and (ii) with respect to the B. Riley annual meeting, the approval of the B. Riley share issuance proposal, the B. Riley adjournment proposal and the election of the B. Riley directors. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the applicable shareholders meeting but with respect to which the broker, bank or other nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker, bank or other nominee does not have discretionary voting power on such proposal.

FBR does not expect to bring any matters before the FBR special meeting other than the proposals set forth in this joint proxy statement/prospectus. Assuming no additional matters are brought before the FBR special meeting on which brokers have discretionary voting authority, if you are an FBR shareholder, and you do not instruct your broker, bank or other nominee on how to vote your shares, your broker, bank or other nominee may not vote your shares on the FBR merger proposal, the FBR merger-related named executive officer compensation proposal or the FBR

adjournment proposal, which broker non-votes will, with respect to the FBR merger proposal, have the effect of a vote against such proposal, and will, with respect to the FBR merger-related named executive officer compensation proposal and the FBR adjournment proposal, have no effect on the vote on such proposals.

B. Riley does not expect to bring any matters before the B. Riley annual meeting other than the proposals set forth in this joint proxy statement/prospectus. If you are a B. Riley stockholder, and you do not instruct your

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broker, bank or other nominee on how to vote your shares, your broker, bank or other nominee may not vote your shares on the B. Riley share issuance proposal, the B. Riley adjournment proposal or the election of the B. Riley directors, which broker non-votes will have no effect on the vote on these proposals. Broker non-votes will not result from the B. Riley accounting firm ratification proposal.

**Q: What if I abstain from voting or do not vote?**

**A:** For the purposes of the B. Riley annual meeting and the FBR special meeting, an abstention occurs when a shareholder of record attends the applicable meeting, either in person or by proxy, but abstains from voting. If you are an FBR shareholder and you fail to vote or fail to instruct your broker or nominee to vote, or vote to abstain from voting, it will have the same effect as a vote against the FBR merger proposal. If you are an FBR shareholder and you fail to vote or fail to instruct your broker or nominee to vote, or vote to abstain from voting, it will have no effect on the FBR merger-related named executive officer compensation proposal, assuming a quorum is present. If you are an FBR shareholder and you fail to vote or fail to instruct your broker or nominee to vote, it will have no effect on the FBR adjournment proposal; however, if you vote to abstain, it will have the same effect as a vote against the FBR adjournment proposal.

If you are a B. Riley stockholder and you fail to vote or fail to instruct your broker or nominee to vote, it will have no effect on the B. Riley share issuance proposal; however, if you vote to abstain, it will have the same effect as a vote against the B. Riley share issuance proposal, assuming a quorum is present. If you are a B. Riley stockholder and you fail to vote or fail to instruct your broker or nominee to vote, or vote to abstain from voting, it will have no effect on the election of the B. Riley directors, assuming a quorum is present. If you are a B. Riley stockholder and you fail to vote or fail to instruct your broker or nominee to vote, it will have no effect on the B. Riley adjournment proposal; however, if you vote to abstain, it will have the same effect as a vote against the B. Riley adjournment proposal. If you are a B. Riley stockholder and you fail to vote or fail to instruct your broker or nominee to vote, your broker or nominee is entitled to vote your shares in respect of the B. Riley accounting firm ratification proposal; however, if you vote to abstain, it will have the same effect as a vote against the B. Riley accounting firm ratification proposal.

**Q: May I change my vote or revoke my proxy after I have delivered my proxy or voting instruction card?**

**A:** Yes. You may change your vote at any time before your proxy is voted at the applicable meeting. You may do this in one of four ways:

by sending a notice of revocation to the corporate secretary of B. Riley or FBR, as applicable;

by sending a completed proxy card bearing a later date than your original proxy card;

by logging onto the website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card, in each case if you are



eligible to do so, and following the instructions on the proxy card; or

by attending the applicable meeting and voting in person if your shares are registered in your name rather than in the name of a broker, bank or other nominee; however, your attendance alone will not revoke any proxy.

If you choose any of the first three methods, you must take the described action (and, in the case of the second method, your proxy card must be received) no later than the beginning of the applicable meeting.

If your shares are held in an account at a broker, bank or other nominee, you should contact your broker, bank or other nominee to change your vote.

**Q: Do I need identification to attend the B. Riley annual meeting or the FBR special meeting in person?**

**A:** Yes. Please bring proper identification, together with proof that you are a record owner of B. Riley or FBR common shares, as the case may be. B. Riley and FBR reserve the right to refuse admittance to anyone

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without proper proof of share ownership or without proper photo identification. If your shares are held in street name, please bring acceptable proof of ownership, such as a letter from your broker or an account statement showing that you beneficially owned common shares of B. Riley or FBR, as applicable, on the record date.

**Q: Will FBR be required to submit the proposal to adopt the merger agreement to its shareholders even if FBR's board of directors has withdrawn, modified, or qualified its recommendation?**

**A:** Yes. Unless the merger agreement is terminated before the FBR special meeting, FBR is required to submit the FBR merger proposal to its shareholders even if FBR's board of directors has withdrawn or modified its recommendation.

**Q: Do I have appraisal rights?**

**A:** Under Virginia law, FBR shareholders are not entitled to exercise appraisal rights in connection with the merger. See The Merger Appraisal Rights.

**Q: What are the U.S. federal income tax consequences of the merger and the pre-closing dividend to FBR shareholders?**

**A:** The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, and it is a condition to the respective obligations of B. Riley and FBR to complete the merger that each of B. Riley and FBR receives a legal opinion to that effect. Accordingly, FBR shareholders are not expected to recognize any gain or loss for U.S. federal income tax purposes on the exchange of FBR common shares for B. Riley common shares in the merger, except with respect to any cash received instead of fractional B. Riley common shares.

For further information, see Material U.S. Federal Income Tax Consequences of the Merger and in particular the section entitled Material U.S. Federal Income Tax Consequences of the Merger Pre-Closing Dividend.

The U.S. federal income tax consequences described above may not apply to all FBR shareholders. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your independent tax advisor for a full understanding of the particular tax consequences of the merger to you.

**Q: What happens if I sell my FBR common shares after the record date but before the special meeting?**

**A:** The record date for the FBR special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you transfer your FBR common shares after the record date but before the date of the special meeting, you will retain your right to vote at such meeting (provided that such shares remain outstanding on the date of such meeting), but you will not have the right to receive any merger consideration for the transferred FBR common shares. You will only be entitled to receive the merger consideration in respect of

FBR common shares that you hold at the effective time.

**Q: What happens if I sell my FBR common shares before the date of distribution of the pre-closing dividend?**

**A:** If you sell your FBR common shares before the record date for the pre-closing dividend, you will not be entitled to receive the pre-closing dividend. If you hold FBR common shares on the record date for the pre-closing dividend and decide to sell them on or before the date of the distribution of the pre-closing dividend, you may choose to sell your FBR common shares with or without your entitlement to the pre-closing dividend. You should discuss these options with your bank, broker or other nominee.

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**Q: What happens if the merger is not completed?**

**A:** If the merger is not completed, FBR shareholders will not receive the merger consideration. Instead, FBR will remain an independent public company and its common shares will continue to be listed and traded on the Nasdaq.

**Q: Should I send in my stock certificates now?**

**A:** No. FBR shareholders **SHOULD NOT** send in any stock certificates now. If the merger is approved, transmittal materials with instructions will be provided to FBR shareholders under separate cover and the stock certificates should be sent at that time in accordance with such instructions.

**Q: What should I do if I hold my FBR common shares in book-entry form?**

**A:** You are not required to take any special additional actions if your FBR common shares are held in book-entry form. After the completion of the merger, FBR common shares held in book-entry form will be exchanged for book-entry B. Riley common shares, plus any cash consideration in lieu of fractional shares.

**Q: Whom should I contact if I have any questions about the proxy materials or the meetings?**

**A:** If you are a B. Riley stockholder and have any questions about the merger or any of the proposals to be considered at the B. Riley annual meeting, need assistance in submitting your proxy or voting your shares or need additional copies of this joint proxy statement/prospectus or the enclosed proxy card, you should contact B. Riley's Corporate Secretary at 21255 Burbank Boulevard, Suite 400, Woodland Hills, California 91367, Telephone No. (818) 884-3737.

If you are an FBR shareholder and have any questions about the merger or any of the proposals to be considered at the FBR special meeting, need assistance in submitting your proxy or voting your shares or need additional copies of this joint proxy statement/prospectus or the enclosed proxy card, please contact FBR's proxy solicitor D.F. King & Co., Inc. at (212) 269-5550 or toll-free at (866) 620-0678.

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**SUMMARY**

*The following summary highlights selected information included in this joint proxy statement/prospectus and may not contain all of the information that may be important to you. You should read this entire document and its appendices and the other documents referenced before you decide how to vote with respect to the proposals. In addition, the parties incorporate by reference important business and financial information about FBR and B. Riley into this joint proxy statement/prospectus. For a description of this information, please see the section entitled *Incorporation of Certain Documents by Reference*. You may obtain the information incorporated by reference into this joint proxy statement/prospectus without charge by following the instructions in the section entitled *Where You Can Find More Information* in the forepart of this joint proxy statement/prospectus. Each item in this summary includes a page reference directing you to a more complete description of that item.*

**The Parties** (page [ ]) )

***FBR***

*1300 North Seventeenth Street*

*Arlington, Virginia 22209*

*(703) 312-9500*

FBR, a Virginia corporation, is a full-service investment banking and institutional brokerage firm with a deep expertise and focus on the equity capital markets. Since the founding of certain predecessor companies, FBR has grown from a boutique investment bank with primary expertise in financial institutions into a full-service U.S. investment bank for middle-market companies.

Through FBR Capital Markets & Co. or MLV & Co. LLC, which we refer to as the FBR broker-dealer subsidiaries, FBR has focused its business on providing capital raising services, financial advisory services, institutional sales and trading services and differentiated securities research.

FBR common shares are listed on Nasdaq under the symbol *FBRC*. Additional information about FBR and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. Please see the sections entitled *Documents Incorporated by Reference* and *Where You Can Find More Information*.

***B. Riley***

*21255 Burbank Boulevard, Suite 400*

*Woodland Hills, California 91367*

*(818) 884-3737*

B. Riley, a Delaware corporation, and its subsidiaries provide collaborative financial services and solutions through a number of its subsidiaries and, following the acquisition of United Online, Inc. on July 1, 2016, B. Riley provides consumer services and products over the Internet. B. Riley & Co., LLC is a leading investment bank which provides corporate finance, research, and sales and trading to corporate, institutional and high net worth individual clients. Great American Group, LLC is a leading provider of advisory and valuation services, and asset disposition and

auction solutions to a wide range of retail, wholesale and industrial clients, as well as lenders, capital providers, private equity investors and professional service firms. B. Riley Capital Management, LLC is an SEC registered investment advisor, which includes B. Riley Asset Management, a provider of investment products to institutional and high net worth investors, and B. Riley Wealth Management (formerly MK Capital Advisors), a multi-family office practice and wealth management firm focused on the needs of ultra-high net worth individuals and families; and Great American Capital Partners, LLC, a provider of senior secured loans and second lien secured loan facilities to middle market public and private U.S. companies. United Online Inc. provides Internet access services and devices under the NetZero and Juno brands primarily in the United States.

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B. Riley common shares are listed on Nasdaq under the symbol RILY. Additional information about B. Riley and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. Please see the sections entitled Documents Incorporated by Reference and Where You Can Find More Information.

***BRC Merger Sub, LLC***

Merger sub, a Delaware limited liability company and wholly owned subsidiary of B. Riley & Co., LLC, a wholly owned subsidiary of B. Riley, was formed solely for the purpose of facilitating the merger. Merger sub has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement. By operation of the merger, FBR will be merged with and into merger sub, with merger sub surviving the merger.

**The Merger and the Merger Agreement** (page [ ]) )

The terms and conditions of the merger are contained in the merger agreement which is attached to this joint proxy statement/prospectus as **Appendix A**. The parties encourage you to read the merger agreement carefully as it is the legal document that governs the merger.

The merger agreement provides that, upon the terms and subject to the conditions of the merger agreement, at the effective time, FBR will merge with and into merger sub, with merger sub continuing as the surviving company. As a result of the merger, there will no longer be any publicly held FBR common shares.

**Merger Consideration** (page [ ]) )

In the merger, each FBR common share owned by an FBR shareholder will be converted into and become exchangeable for 0.671 of a B. Riley common share. For each fractional share that would otherwise be issued, B. Riley will pay cash in an amount equal to the fraction of a B. Riley common share (rounded to the nearest thousandth when expressed in decimal form) which the holder would otherwise be entitled to receive multiplied by the average of the per share closing prices of B. Riley common shares on Nasdaq (as reported in *The Wall Street Journal* (Northeast edition) or, if not reported thereby, another authoritative source) for 20 full trading days ending on the fifth business day prior to the closing date. See The Merger Agreement Merger Consideration.

The share price of B. Riley common shares will fluctuate, and the value that FBR shareholders will receive upon consummation of the merger may be different than the value that they would receive if calculated on the date B. Riley and FBR publicly announced the signing of the merger agreement, on the date that this joint proxy statement/prospectus is being mailed to FBR shareholders and B. Riley stockholders, and on the date of the FBR special meeting. Based on the closing price of B. Riley common shares on February 17, 2017, the last trading day before the public announcement of the signing of the merger agreement, the value of the per share merger consideration payable to FBR shareholders was \$11.78. Based on the closing price of B. Riley common shares on [ ], 2017, the last practicable date before the date of this joint proxy statement/prospectus, the value of the per share merger consideration payable to FBR shareholders was \$[ ].

**Pre-Closing Dividend** (page [ ]) )

Pursuant to the merger agreement, the FBR board of directors intends to declare and cause FBR to pay a pre-closing cash dividend to FBR shareholders, as long as certain conditions are met, including, among others, that after the pre-closing dividend has been made FBR will have at least the minimum cash and financial instrument amount. If FBR will have at least the minimum cash and financial instrument amount after giving effect to the pre-closing

dividend, the available funds will be paid as a dividend to FBR shareholders in an amount per share of up to and including \$8.50. In addition, if there are excess available funds, a portion of the excess available funds may be paid as part of the pre-closing dividend. See The Merger Agreement Pre-Closing Dividend.



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**Treatment of FBR Equity Awards** (page [ ])

*FBR Options.* At the effective time, each outstanding FBR option, will be cancelled and converted into a number of B. Riley common shares having a value equal to the final pre-dividend price, less the applicable exercise price and subject to rounding. Any option that has an exercise price that is greater than or equal to the final pre-dividend price will be cancelled for no consideration.

*FBR Restricted Stock Awards.* At the effective time, each outstanding share of restricted stock of FBR will be converted into (i) a number of restricted B. Riley common shares equal to the exchange ratio of 0.671 (rounded to the nearest whole number) and (ii) the right to receive a cash payment in respect of the pre-closing dividend. After the effective time, the restricted B. Riley common shares and the right to receive a cash payment in respect of the pre-closing dividend will continue to be governed by the same terms and conditions (including vesting terms with respect to employees) as applied to the applicable share of FBR restricted stock immediately prior to the effective time. The FBR restricted stock awards held by FBR's non-employee directors will vest as of immediately prior to the effective time and be treated like FBR common shares generally.

*FBR RSUs.* At the effective time, each outstanding FBR RSU, whether vested or unvested, will be converted into (i) a B. Riley stock-based RSU, covering a number of B. Riley common shares equal to the product (rounded to the nearest whole number) of the exchange ratio of 0.671 and the number of FBR common shares subject to such FBR RSU immediately prior to the effective time and (ii) the right to receive a cash payment in respect of the pre-closing dividend. After the effective time, the B. Riley stock-based RSU and the right to receive a cash payment in respect of the pre-closing dividend will continue to be governed by the same terms and conditions (including vesting conditions with respect to employees) as applied to the applicable FBR RSU immediately prior to the effective time. The FBR RSUs held by FBR's non-employee directors will vest as of immediately prior to the effective time and be settled following the effective time consistent with the terms of the award.

*FBR PSUs.* At the effective time, each outstanding FBR PSU, whether vested or unvested, will be converted into (i) a B. Riley stock-based RSU covering a number of B. Riley common shares equal to the product (rounded to the nearest whole number) of the exchange ratio of 0.671 and the number of FBR common shares subject to the FBR PSU based on the greater of (x) the number of FBR common shares that would be earned based on actual performance for the most recently completed fiscal quarter prior to the effective time, as reasonably determined by the compensation committee of the FBR board of directors and (y) the level of achievement resulting in 50% of the number of FBR common shares being earned, and (ii) the right to receive a cash payment in respect of the pre-closing dividend. After the effective time, the B. Riley stock-based RSU and the right to receive a cash payment in respect of the pre-closing dividend will continue to be governed by the same terms and conditions (excluding performance-based vesting conditions, but including time-based vesting conditions) as applied to the applicable FBR PSU immediately prior to the effective time.

*FBR Investor Options.* At the effective time, each outstanding FBR investor option, whether vested or unvested, will cease to represent an option to purchase FBR common shares and will be converted into a B. Riley option, with the number of B. Riley common shares and exercise price equitably adjusted to reflect the pre-closing dividend and the B. Riley common shares to be issued in the merger. After the effective time, the B. Riley investor options will continue to be governed by the same terms and conditions as applied to the applicable FBR investor option immediately prior to the effective time.

See The Merger Agreement Treatment of FBR Equity Awards.

**Recommendations of the FBR Board of Directors and Reasons for the Merger** (page [ ])

FBR's board of directors unanimously recommends that FBR shareholders vote **FOR** the FBR merger proposal, **FOR** the merger-related named executive officer compensation proposal and **FOR** the FBR adjournment proposal.

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The FBR board of directors considered the business, operations, financial condition, asset quality, earnings and prospects of each of FBR and B. Riley and certain anticipated effects of the merger on the surviving company. The FBR board of directors considered a number of factors, which are described in greater detail in the section entitled **The Merger Background of the Merger** and **The Merger Recommendations of the FBR Board of Directors and Reasons for the Merger**.

**Opinion of FBR's Financial Advisor** (page [ ]) )

At the February 17, 2017 meeting at which the FBR board of directors considered and approved the Agreement and Plan of Merger, dated as of February 17, 2017, between FBR and B. Riley, which we refer to as the original merger agreement, Berkshire Capital Securities, LLC, which we refer to as Berkshire Capital, delivered to the FBR board of directors its oral opinion, which was subsequently confirmed in writing, that, as of such date, subject to procedures followed, assumptions made, matters considered and qualifications and limitations described in Berkshire Capital's opinion, the combined merger consideration and pre-closing dividend, which we refer to as the transaction consideration, was fair, from a financial point of view, to the FBR shareholders. **The full text of Berkshire Capital's opinion is attached as Appendix D to this joint proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Berkshire Capital in rendering its opinion. FBR shareholders are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.** For further information, see **The Merger Opinion of FBR's Financial Advisor**.

**Recommendations of the B. Riley Board of Directors and Reasons for the Merger** (page [ ]) )

B. Riley's board of directors unanimously recommends that B. Riley stockholders vote **FOR** the B. Riley share issuance proposal, **FOR** the B. Riley adjournment proposal, **FOR** the election of the B. Riley directors and **FOR** the B. Riley accounting firm ratification proposal.

In connection with the consideration of the merger transaction with FBR, the B. Riley board of directors considered the business, operations, financial condition, asset quality, earnings and prospects of each of FBR and B. Riley and certain anticipated effects of the merger on the surviving company. The B. Riley board of directors considered a number of factors, which are described in greater detail in the section entitled **The Merger Background of the Merger** and **The Merger Recommendations of the B. Riley Board of Directors and Reasons for the Merger**.

**B. Riley Annual Meeting** (page [ ]) )

The annual meeting of stockholders of B. Riley will be held at [ ], at [ ] Pacific Time, on [ ], 2017. At the B. Riley annual meeting, stockholders of B. Riley will be asked to consider and vote upon:

a proposal to approve the issuance of B. Riley common shares in the merger;

a proposal to approve one or more adjournments of the B. Riley annual meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the B. Riley share issuance proposal;

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the election of seven (7) directors to hold office for a one-year term to expire at B. Riley's 2018 Annual Meeting of the Stockholders or until their successors are elected and duly qualified;

a proposal to ratify the selection of Marcum, LLP as B. Riley's independent registered public accounting firm for the fiscal year ending December 31, 2017; and

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such other business as may properly come before the B. Riley annual meeting or any adjournment or postponement thereof.

The B. Riley board of directors has fixed [ ], 2017 as the record date for determining the holders of B. Riley common shares entitled to notice of and to vote at the B. Riley annual meeting, and only B. Riley stockholders of record on the record date are entitled to vote at the B. Riley annual meeting. At the close of business on [ ], 2017, there were [ ] B. Riley common shares issued and outstanding, held by approximately [ ] holders of record. B. Riley stockholders of record on the record date are entitled to one vote per share on all matters properly before the B. Riley annual meeting.

Each of the directors and executive officers of B. Riley has agreed to vote all shares held or controlled by him or her in favor of approval of the B. Riley share issuance proposal. As of the record date for the B. Riley annual meeting, a total of [ ] outstanding shares, or [ ]% of the outstanding B. Riley common shares, are covered by the B. Riley voting agreements. See Voting Agreements.

The affirmative vote of holders of a majority of the outstanding B. Riley common shares present in person or represented by proxy and entitled to vote on the B. Riley share issuance proposal at the B. Riley annual meeting at which a quorum is present is required to approve the B. Riley share issuance proposal. The affirmative vote of holders of a majority of the outstanding B. Riley common shares present in person or represented by proxy at the B. Riley annual meeting and entitled to vote at the B. Riley annual meeting, whether or not a quorum is present is required to approve the B. Riley adjournment proposal. The affirmative vote of a plurality of the votes cast in favor of each director at the B. Riley annual meeting at which a quorum is present is required to approve the election of each such director. The affirmative vote of holders of a majority of the outstanding B. Riley common shares present in person or represented by proxy and entitled to vote on the B. Riley accounting firm ratification proposal at the B. Riley annual meeting at which a quorum is present is required to approve the B. Riley accounting firm ratification proposal.

**FBR Special Meeting** (page [ ])

The special meeting of shareholders of FBR will be held at [ ], at [ ], Eastern Time, on [ ], 2017. At the FBR special meeting, shareholders of FBR will be asked to consider and vote upon:

a proposal to approve the merger agreement, a copy of which is attached as **Appendix A** to this joint proxy statement/prospectus;

a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to FBR's named executive officers that is based on or otherwise relates to the merger, discussed under the section entitled The Merger Interests of FBR's Directors and Executive Officers in the Merger; and

a proposal to approve one or more adjournments of the FBR special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the FBR merger proposal.

The FBR board of directors has fixed [ ], 2017 as the record date for determining the FBR shareholders entitled to notice of and to vote at the FBR special meeting, and only FBR shareholders of record on the record date are entitled to vote at the FBR special meeting. At the close of business on [ ], 2017, there were [ ] FBR common shares issued and outstanding, held by approximately [ ] holders of record. FBR shareholders of record on the record date are entitled to one vote per share on all matters properly before the FBR special meeting.

Each of the directors and executive officers of FBR has agreed to vote all shares held or controlled by him or her in favor of approval of the FBR merger proposal. As of the record date for the FBR special meeting, a total of [ ] outstanding shares, or [ ]% of the outstanding FBR common shares, are covered by the FBR voting agreements. See Voting Agreements.

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The affirmative vote of a majority of the votes entitled to be cast on the FBR merger proposal is required to approve the FBR merger proposal at the FBR special meeting at which a quorum is present. The vote to approve, on an advisory basis, the merger-related named executive officer compensation proposal is not binding on B. Riley, FBR, the FBR board of directors or FBR's Compensation Committee. However, the FBR board of directors and FBR's Compensation Committee will review the voting results and take the results into consideration. The vote to approve, on an advisory basis, merger-related named executive officer compensation will be approved if the votes cast in favor of the proposal exceed the votes cast opposing the proposal at the FBR special meeting at which a quorum is present. The affirmative vote of holders of a majority of the FBR common shares represented at the FBR special meeting, whether or not a quorum is present is required to approve the FBR adjournment proposal.

## **Interests of FBR's Directors and Executive Officers in the Merger (page [ ])**

In considering the recommendations of the FBR board of directors, FBR shareholders should be aware that directors and executive officers of FBR have interests in the merger that may differ from, or may be in addition to, the interests of FBR shareholders generally. The FBR board of directors was aware of these interests and considered them, among other matters, when it approved the merger agreement and in making its recommendations that the FBR shareholders approve the FBR merger proposal. These interests include:

Richard J. Hendrix, who is the Chairman and Chief Executive Officer of FBR, has entered into an employment agreement with B. Riley's investment banking and brokerage business, B. Riley & Co., LLC and B. Riley (solely with respect to certain obligations thereunder), which we refer to as the new Hendrix employment agreement, which becomes effective upon the completion of the merger and which will replace the existing employment agreement between Mr. Hendrix and FBR, pursuant to which Mr. Hendrix (i) will serve as President and Chief Executive Officer of the entity that will house the investment banking and brokerage businesses of FBR and B. Riley & Co., LLC, which we refer to as the combined brokerage business, and (ii) will become a member of the B. Riley board of directors;

Executive officers of FBR other than Mr. Hendrix will be eligible to receive severance benefits under a severance policy maintained by FBR upon an involuntary termination;

FBR's directors and executive officers have FBR options, FBR restricted stock, FBR RSUs, and FBR PSUs that, under the merger agreement, will be converted into either (i) B. Riley common shares or (ii) corresponding awards with respect to B. Riley common shares and the right to receive cash payment in connection with the pre-closing dividend;

Certain of FBR's executive officers have been granted an award consisting of an interest in a specified pool of securities that will be subject to accelerated vesting upon certain qualifying terminations of employment following the merger; and

FBR directors and officers are entitled to continued indemnification and insurance coverage under the merger agreement.

For a more complete description of the interests of FBR's directors and executive officers in the merger, see The Merger Interests of FBR's Directors and Executive Officers in the Merger.

**Regulatory Matters** (page [ ]) )

Completion of the merger is conditioned on (i) the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act and (ii) subject to certain exceptions, the receipt of approval of each FBR broker-dealer subsidiary's Continuing Membership Application by the Financial Industry Regulatory Authority, which we refer to as FINRA. The parties have filed notices and applications to obtain the necessary regulatory approval from FINRA and in connection with the HSR Act. Although the parties currently believe they should be able to obtain all required



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regulatory approvals in a timely manner, they cannot be certain when or if they will obtain them or, if obtained, whether they will contain terms, conditions or restrictions not currently contemplated that will be detrimental to or have a material adverse effect on B. Riley after the completion of the merger. The regulatory approvals to which completion of the merger is subject are described in more detail under the section entitled "The Merger - Regulatory Approvals Required for the Merger."

**Conditions to Completion of the Merger** (page [ ])

The respective obligations of each of B. Riley, merger sub and FBR to effect the merger are subject to the satisfaction or waiver at or prior to closing of the following conditions:

receipt of FBR shareholder approval of the merger agreement, which we refer to as the requisite FBR shareholder approval;

receipt of B. Riley stockholder approval for the issuance of B. Riley common shares in accordance with the merger agreement, which we refer to as the requisite B. Riley stockholder approval;

the waiting period applicable to the consummation of the merger under the HSR Act having expired or been earlier terminated and FINRA having delivered to the FBR broker-dealer subsidiaries written approval of each broker-dealer subsidiary's Continuing Membership Application pursuant to FINRA's NASD Rule 1017 in connection with the merger, subject to certain exceptions as described in "The Merger Agreement - Conditions to the Merger";

no court or other governmental entity of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the merger or the other transactions contemplated by the merger agreement; and

the registration statement of which this joint proxy statement/prospectus forms a part having become effective under the Securities Act of 1933, as amended, which we refer to as the Securities Act, no stop order suspending the effectiveness of the registration statement having been issued and in effect, and no proceedings for that purpose having been commenced or threatened by the SEC unless subsequently withdrawn.

The obligations of B. Riley and merger sub to effect the merger are also subject to the satisfaction or waiver by B. Riley at or prior to the closing of the following conditions:

the accuracy of the representations and warranties of FBR in the manner described in the merger agreement, which are more fully described in "The Merger Agreement - Conditions to the Merger";

FBR having performed in all material respects all obligations required to be performed by FBR under the merger agreement at or prior to the closing date;

FINRA having delivered to the FBR broker-dealer subsidiaries written approval of each FBR broker-dealer subsidiary's Continuing Membership Application pursuant to FINRA's NASD Rule 1017 in connection with the merger without the imposition of a burdensome condition (as defined in The Merger Regulatory Approvals Required for the Merger ), subject to certain exceptions;

FBR having the minimum cash and financial instrument amount at the time of closing; and

receipt by B. Riley of an opinion of Sullivan & Cromwell LLP as to certain tax matters.

The obligation of FBR to effect the merger is also subject to the satisfaction or waiver by FBR at or prior to the closing, of the following conditions:

the accuracy of the representations and warranties of B. Riley and merger sub in the manner described in the merger agreement, which are more fully described in The Merger Agreement Conditions to the Merger;

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B. Riley and merger sub having performed in all material respects all obligations required to be performed by B. Riley and merger sub under the merger agreement at or prior to the closing date; and

receipt by FBR of an opinion of Wachtell, Lipton, Rosen & Katz as to certain tax matters.

**No Solicitation or Negotiation of Acquisition Proposals** (page [ ])

The merger agreement provides that FBR will not and none of its subsidiaries nor any of the directors, officers and employees of FBR or its subsidiaries will, and FBR will use its reasonable best efforts to instruct and cause its and its subsidiaries' representatives not to, directly or indirectly:

initiate, solicit, propose, knowingly encourage or knowingly facilitate any inquiry or the making of any proposal or offer that constitutes, or would reasonably be expected to lead to, an acquisition proposal (as defined in The Merger Agreement No Solicitation or Negotiation of Acquisition Proposals ), other than discussions solely to clarify such proposal or offer;

engage in, continue or otherwise participate in any discussions with or negotiations relating to any acquisition proposal or any inquiry, proposal or offer that would reasonably be expected to lead to an acquisition proposal (other than to state that the terms of the merger agreement prohibit such discussions);

provide any information to any person in connection with any acquisition proposal or any proposal or offer that would reasonably be expected to lead to an acquisition proposal; or

otherwise knowingly facilitate any effort or attempt to make an acquisition proposal.

Notwithstanding the foregoing, at any time prior to obtaining the requisite FBR shareholder approval, but not after, in response to an unsolicited, bona fide written acquisition proposal and if prior to taking such action the FBR board of directors determines in good faith, after consultation with outside legal counsel, that (A) based on the information then available and after consultation with its independent financial advisor that such acquisition proposal either constitutes a superior proposal (as defined in The Merger Agreement No Solicitation or Negotiation of Acquisition Proposals ) or would reasonably be expected to result in a superior proposal and (B) such action is reasonably necessary in order for the directors of FBR to comply with their fiduciary duties under applicable law, FBR may:

provide information in response to a request therefor to the person who made such acquisition proposal, provided that such information has previously been made available to, or is concurrently made available to, B. Riley and subject to entering into a confidentiality agreement with such person on the terms and conditions described in The Merger Agreement No Solicitation or Negotiation of Acquisition Proposals; or

participate in any discussions or negotiations with such person regarding such acquisition proposal.

**No Change in Recommendation or Alternative Acquisition Agreement** (page [ ])

Subject to the exceptions described in the section entitled **The Merger Agreement No Change in Recommendation or Alternative Acquisition Agreement**, the FBR board of directors and each committee of the FBR board of directors may not:

withhold, withdraw, qualify or modify (or publicly propose or resolve to withhold, withdraw, qualify or modify), in each case in a manner adverse to B. Riley, the FBR board of director s recommendation that FBR shareholders vote to approve the merger agreement, which recommendation we refer to as the FBR board recommendation;

approve or recommend, or publicly declare advisable or publicly propose to enter into, any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger

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agreement, option agreement, joint venture agreement, partnership agreement or other agreement, other than the confidentiality agreement referred to above, providing for any acquisition proposal, which we refer to as an alternative acquisition agreement and which, combined with the preceding bullet, we refer to as a change of recommendation; or

cause or permit FBR to enter into any such alternative acquisition agreement.

Notwithstanding the foregoing, at any time prior to obtaining the requisite FBR shareholder approval, but not after, the FBR board of directors may effect a change of recommendation in connection with an acquisition proposal made after the date of the merger agreement that did not arise from or in connection with a material breach, if:

an unsolicited, bona fide written offer is made to FBR and is not withdrawn;

the FBR board of directors determines in good faith, after consultation with outside counsel and its independent financial advisor, that:

such offer constitutes a superior proposal; and

such action is reasonably necessary in order for the directors to comply with their fiduciary duties under applicable law;

FBR has given B. Riley prior written notice at least four business days before taking such action;

after giving such notice and prior to effecting a change of recommendation FBR negotiates in good faith with B. Riley (to the extent B. Riley wishes to negotiate) to make such revisions to the terms of the merger agreement as would permit the FBR board of directors not to effect a change of recommendation in connection with a superior proposal; and

at the end of such four-business day period, prior to taking action to effect a change of recommendation in response to a superior proposal, FBR has taken into account any change to the terms of the merger agreement proposed by B. Riley in writing and any other information offered by B. Riley in response to the notice, and has determined in good faith that the superior proposal would continue to constitute a superior proposal if such changes offered in writing were to be given effect.

For clarity, any modification to any acquisition proposal is deemed a new acquisition proposal and will require FBR to again comply with the above requirements, except that the four-business day notice period described above is reduced to three business days with respect to such revised acquisition proposal.

**Termination of the Merger Agreement** (page [ ]) )

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time:

by mutual written consent of B. Riley and FBR;

by either B. Riley or FBR if:

the merger has not been consummated by the outside date, which we refer to as an outside date termination;

the requisite FBR shareholder approval has not been obtained at the FBR special meeting or at any adjournment, recess or postponement thereof in accordance with the merger agreement at which a vote on the approval of the FBR merger proposal was taken, which we refer to as a no-vote termination;

the requisite B. Riley stockholder approval has not been obtained at the B. Riley annual meeting or at any adjournment, recess or postponement thereof in accordance with the merger agreement at which a vote on the B. Riley share issuance proposal was taken;

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if any order permanently restraining, enjoining or otherwise prohibiting the consummation of the merger becomes final and nonappealable;

there has been a breach by FBR, in the case of a termination by B. Riley, or by B. Riley or merger sub, in the case of a termination by FBR, of any of their respective representations, warranties, covenants or agreements set forth in the merger agreement, or if any representation or warranty of FBR, in the case of a termination by B. Riley, or B. Riley or merger sub, in the case of a termination by FBR, have become untrue such that the respective party's closing conditions would not be satisfied (and such breach or failure to be true and correct is not curable prior to the outside date, or if curable prior to the outside date, has not been cured within the earlier of 30 calendar days following notice to the breaching party or three business days prior to the outside date); or

by B. Riley prior to the time the FBR shareholder approval is obtained, if the FBR board of directors has:

materially breached certain of its obligations described in The Merger Agreement No Solicitation or Negotiation of Acquisition Proposals or The Merger Agreement No Change in Recommendation or Alternative Acquisition Agreement;

failed to include the FBR recommendation in this joint proxy statement/prospectus;

made a change of recommendation; or

failed to recommend, within 10 business days after the commencement of a tender or exchange offer for outstanding FBR common shares (other than by B. Riley or one of its affiliates), against acceptance of such tender or exchange offer by its shareholders.

We refer to any termination by B. Riley as described in the preceding four bullets collectively as a termination for FBR adverse recommendation matters.

**Termination Fee** (page [ ]) )

FBR must pay B. Riley a termination fee of \$5,000,000 in the event that:

B. Riley effects a termination for FBR adverse recommendation matters; or

each of the following occurs:

B. Riley or FBR effects an outside date termination or a no-vote termination;

a bona fide acquisition proposal has been made to FBR and its shareholders generally (whether or not conditional) or any person has publicly announced an intention to make an acquisition proposal (and such acquisition proposal or publicly announced intention has not been publicly withdrawn on a bona fide basis without qualification at least 10 business days prior to an outside date termination or at least five business days prior to the FBR special meeting in connection with a no-vote termination); and

within 12 months after such termination, FBR or any of its subsidiaries enters into an alternative acquisition agreement or consummates or approves or recommends to FBR's shareholders or otherwise does not oppose, an acquisition proposal, which acquisition proposal is subsequently consummated (even if such consummation occurs after such 12-month period), or an acquisition proposal is otherwise consummated with respect to FBR (for these purposes references to 15% in the definition of acquisition proposal are deemed to be references to 50% and certain transactions included in the definition of acquisition proposal will require shareholders of FBR immediately prior to such transaction to hold less than 50% of the equity in the surviving entity).



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**Material U.S. Federal Income Tax Consequences of the Merger** (page [ ]) )

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code, and it is a condition to the respective obligations of B. Riley and FBR to complete the merger that each of B. Riley and FBR receives a legal opinion to that effect. Accordingly, FBR shareholders are not expected to recognize any gain or loss for U.S. federal income tax purposes on the exchange of FBR common shares for B. Riley common shares in the merger, except with respect to any cash received instead of fractional B. Riley common shares.

For further information, see Material U.S. Federal Income Tax Consequences of the Merger, in particular the section entitled Material U.S. Federal Income Tax Consequences of the Merger Pre-Closing Dividend.

The U.S. federal income tax consequences described above may not apply to all FBR shareholders. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your independent tax advisor for a full understanding of the particular tax consequences of the merger to you.

**Accounting Treatment** (page [ ]) )

B. Riley prepares its financial statements in accordance with United States generally accepted accounting principles, which we refer to as GAAP. The transaction will be accounted for using the acquisition method of accounting. B. Riley will be treated as the acquiror for accounting purposes.

**Comparison of Stockholders Rights** (page [ ]) )

The rights of FBR shareholders are governed by Virginia law and by FBR's amended and restated articles of incorporation, as amended, which we refer to as the FBR articles, and FBR's amended and restated bylaws, which we refer to as the FBR bylaws. The rights of B. Riley stockholders are governed by Delaware law and by the amended and restated certificate of incorporation, which we refer to as the B. Riley certificate, and amended and restated bylaws of B. Riley, which we refer to as the B. Riley bylaws. Upon the completion of the merger, there will no longer be any publicly held FBR common shares. FBR shareholders will no longer have any direct interest in FBR. FBR shareholders will only participate in the combined company's future earnings and potential growth through their ownership of B. Riley common shares. All of the other incidents of direct stock ownership in FBR will be extinguished upon completion of the merger. The rights of former FBR shareholders that become B. Riley stockholders will be governed by Delaware law, the B. Riley certificate and the B. Riley bylaws. Therefore, FBR shareholders that receive B. Riley common shares in the merger will have different rights once they become B. Riley stockholders. See Comparison of Certain Rights of Holders of B. Riley and FBR Common Shares.

**Risk Factors** (page [ ]) )

Before voting at the B. Riley annual meeting or the FBR special meeting, you should carefully consider all of the information contained in or incorporated by reference into this joint proxy statement/prospectus, including the risk factors set forth in the section entitled Risk Factors and described in B. Riley's and FBR's Annual Reports on Form 10-K for the fiscal year ended on December 31, 2016, and other reports filed with the SEC, which are incorporated by reference into this joint proxy statement/prospectus. Please see Where You Can Find More Information and Documents Incorporated by Reference.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF B. RILEY**

The following table summarizes consolidated financial results of B. Riley for the periods and at the dates indicated and should be read in conjunction with B. Riley's consolidated financial statements and the notes to the consolidated financial statements contained in reports that B. Riley has previously filed with the SEC. Historical financial information for B. Riley can be found in its Annual Report on Form 10-K for the fiscal year ended December 31, 2016. See "Where You Can Find More Information" for instructions on how to obtain the information that has been incorporated by reference. You should not assume the results of operations for past years indicate results for any future period.

**Consolidated Statement of Operations Data:****(Dollars in thousands)**

	<b>Year Ended December 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>					
Services and fees	\$ 164,235	\$ 101,929	\$ 67,257	\$ 59,967	\$ 65,624
Sale of goods	26,116	10,596	9,859	16,165	18,312
Total revenues	190,351	112,525	77,116	76,132	83,936
<b>Operating expenses:</b>					
Direct cost of services	40,857	29,049	23,466	24,146	23,911
Cost of goods sold	14,755	3,072	14,080	11,506	12,750
Selling, general and administrative	82,127	58,322	44,453	36,382	39,834
Restructuring charge	3,887		2,548		
Total operating expenses	141,626	90,443	84,547	72,034	76,495
Operating income (loss)	48,725	22,082	(7,431)	4,098	7,441
<b>Other income (expense):</b>					
Interest income	318	17	12	26	201
Loss from equity investment in Great American Group Real Estate, LLC and Shoon Trading Limited				(177)	(120)
Gain from bargain purchase					1,366
Interest expense	(1,996)	(834)	(1,262)	(2,667)	(2,612)
Income (loss) from operations before income taxes	47,047	21,265	(8,681)	1,280	6,276
(Provision) benefit for income taxes	(14,321)	(7,688)	2,886	(704)	(1,936)
Net income (loss)	32,726	13,577	(5,795)	576	4,340
	11,200	1,772	6	(482)	819

Net income (loss) attributable to noncontrolling interests					
Net income (loss) attributable to B. Riley Financial, Inc.	\$ 21,526	\$ 11,805	\$ (5,801)	\$ 1,058	\$ 3,521
Basic earnings (loss) per share	\$ 1.19	\$ 0.73	\$ (0.60)	\$ 0.74	\$ 2.46
Diluted earnings (loss) per share	\$ 1.17	\$ 0.73	\$ (0.60)	\$ 0.71	\$ 2.38
Cash dividends per share	\$ 0.28	0.32	0.03		
Weighted average basic shares outstanding	18,106,621	16,221,040	9,612,154	1,434,107	1,434,107
Weighted average diluted shares outstanding	18,391,852	16,265,915	9,612,154	1,495,328	1,480,671

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**Table of Contents****Consolidated Balance Sheet Data:****(Dollars in thousands)**

	<b>Year Ended December 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 112,105	\$ 30,012	\$ 21,600	\$ 18,867	\$ 18,721
Restricted cash	3,294	51	7,657	325	7,923
Securities owned. At fair value	16,579	25,543	17,955		
Total assets	264,618	132,420	138,990	73,677	80,583
Total current liabilities	83,663	21,950	41,911	29,069	34,275
Total long-term liabilities	30,563	1,150		48,759	50,483
Total equity (deficit)	150,392	109,320	97,079	(4,151)	(4,175)

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**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF FBR**

The following table summarizes consolidated financial results of FBR for the periods and at the dates indicated and should be read in conjunction with FBR's consolidated financial statements and the notes to the consolidated financial statements contained in reports that FBR has previously filed with the SEC. Historical financial information for FBR can be found in its Annual Report on Form 10-K for the fiscal year ended December 31, 2016. See [Where You Can Find More Information](#) for instructions on how to obtain the information that has been incorporated by reference. You should not assume the results of operations for past years indicate results for any future period.

	<b>Year Ended December 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Consolidated Statements of Operations</b>					
<b>(dollars in thousands, except per share amounts):</b>					
Revenues:					
Investment banking:					
Capital raising	\$ 43,092	\$ 61,508	\$ 103,902	\$ 186,516	\$ 84,144
Advisory	7,453	9,583	11,353	9,697	6,525
Institutional brokerage	39,213	45,442	56,182	53,738	52,472
Net investment (loss) income	(557)	5,433	17,774	6,920	4,906
Interest	29,977	31,774	13,067	1,790	2,765
Dividends and other	527	1,692	1,030	1,160	680
<b>Total revenues</b>	<b>119,705</b>	<b>155,432</b>	<b>203,308</b>	<b>259,821</b>	<b>151,492</b>
Interest expense	21,388	35,037	21,183		
<b>Revenue, net of interest expense</b>	<b>98,317</b>	<b>120,395</b>	<b>182,125</b>	<b>259,821</b>	<b>151,492</b>
Non-interest expenses:					
Compensation and benefits	73,313	77,463	103,811	144,720	82,672
Occupancy and equipment	12,318	12,680	13,480	12,271	15,755
Professional services	9,798	13,287	13,259	12,326	12,839
Communications	9,119	10,865	11,514	11,101	12,553
Business development	8,382	9,819	11,689	9,602	9,394
Clearing and brokerage fees	5,180	5,328	4,757	4,922	7,490
Impairment of goodwill	1,259				
Other operating expenses	6,700	6,711	6,255	7,609	6,861
<b>Total non-interest expenses</b>	<b>126,069</b>	<b>136,153</b>	<b>164,765</b>	<b>202,551</b>	<b>147,564</b>
(Loss) income from continuing operations before income taxes	(27,752)	(15,758)	17,360	57,270	3,928
Income tax provision (benefit)	38,252	(8,297)	341	(27,483)	(1,078)
<b>(Loss) income from continuing operations, net of taxes</b>	<b>(66,004)</b>	<b>(7,461)</b>	<b>17,019</b>	<b>84,753</b>	<b>5,006</b>

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(Loss) income from discontinued operations, net of taxes				8,159	24,685
Net (loss) income	\$ (66,004)	\$ (7,461)	\$ 17,019	\$ 92,912	\$ 29,691
Basic (loss) income per share <sup>(1)</sup> :					
(Loss) income from continuing operations, net of taxes	\$ (8.89)	\$ (0.92)	\$ 1.66	\$ 7.09	\$ 0.38
Income from discontinued operations, net of taxes				0.68	1.86
Basic (loss) income per share	\$ (8.89)	\$ (0.92)	\$ 1.66	\$ 7.77	\$ 2.24
Diluted (loss) income per share <sup>(1)</sup> :					
(Loss) income from continuing operations, net of taxes	\$ (8.89)	\$ (0.92)	\$ 1.48	\$ 6.54	\$ 0.36
Income from discontinued operations, net of taxes				0.63	1.79
Diluted (loss) income per share	\$ (8.89)	\$ (0.92)	\$ 1.48	\$ 7.17	\$ 2.15
Weighted-average shares (in thousands):					
Basic <sup>(1)</sup>	7,428	8,069	10,283	11,963	13,274
Diluted <sup>(1)</sup>	7,428	8,069	11,465	12,960	13,798
Cash dividends declared per common share	\$ 0.80	\$ 0.40	\$	\$	\$

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	As of December 31,				
	2016	2015	2014	2013	2012
<b>Consolidated Balance Sheet Data</b>					
<b>(in thousands):</b>					
Assets:					
Cash and cash equivalents	\$ 75,019	\$ 70,067	\$ 108,962	\$ 207,973	\$ 174,925
Securities borrowed	897,343	685,037	594,674		
Financial instruments owned, at fair value	32,401	94,923	166,047	144,743	121,404
Other investments, at cost		6,539	7,000	7,681	8,388
Due from brokers, dealers, and clearing organizations	4,828	5,513	94,489	4,949	4,670
Other	28,350	71,337	63,925	45,226	24,057
<b>Total assets</b>	<b>\$ 1,037,941</b>	<b>\$ 933,416</b>	<b>\$ 1,035,097</b>	<b>\$ 410,572</b>	<b>\$ 333,444</b>
Liabilities:					
Securities loaned	\$ 892,309	\$ 687,443	\$ 595,717	\$	\$
Financial instruments sold, not yet purchased, at fair value		1,934	121,310	42,241	56,929
Accrued compensation, accounts payable, accrued expenses and other liabilities	28,214	33,272	57,664	68,853	32,953
Due to brokers, dealers, and clearing organizations				8,701	3,698
<b>Total liabilities</b>	<b>920,523</b>	<b>722,649</b>	<b>774,691</b>	<b>119,795</b>	<b>93,580</b>
Shareholders equity	117,418	210,767	260,406	290,777	239,864
<b>Total liabilities and shareholders equity</b>	<b>\$ 1,037,941</b>	<b>\$ 933,416</b>	<b>\$ 1,035,097</b>	<b>\$ 410,572</b>	<b>\$ 333,444</b>

	Year ended December 31,				
	2016	2015	2014	2013	2012
<b>Statistical Data:</b>					
Total employees <sup>(2)</sup>	259	303	300	302	256
Net revenue per employee <sup>(3)</sup>	\$ 355	\$ 404	\$ 609	\$ 952	\$ 591
Compensation and benefits expense as a					
percentage of net revenues	75%	64%	57%	56%	55%

(1) On February 28, 2013, the Company affected a one-for-four reverse stock split of its issued and outstanding common stock. While this reverse stock split reduced the number of issued and outstanding common shares, and resulted in the reclassification of certain previously reported amounts in the consolidated financial statements, these changes and reclassifications had no effect on the Company's total shareholders' equity.

- (2) As of end of the period reported.
- (3) Based on average of employees as of the end of each quarter.



**Table of Contents****SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA**

The following table shows selected unaudited pro forma condensed combined financial information about the financial condition and results of operations of B. Riley giving effect to the merger with FBR. The selected unaudited pro forma condensed combined financial information assumes that the merger is accounted for under the acquisition method of accounting with B. Riley treated as the acquiror. Under the acquisition method of accounting, the assets and liabilities of FBR, as of the effective date of the merger, will be recorded by B. Riley at their respective fair values and the excess of the merger consideration over the fair value of FBR's net assets will be allocated to goodwill.

The unaudited pro forma condensed combined statement of operations as of December 31, 2016 is presented as if the merger and B. Riley's acquisition of United Online, Inc. had become effective on January 1, 2016, the first business day of the B. Riley 2016 fiscal year, and combines the historical results of B. Riley and FBR for the year ended December 31, 2016. The unaudited pro forma condensed consolidated balance sheet information as of December 31, 2016 gives effect to the merger as if it occurred on December 31, 2016, and combines the historical balance sheets of B. Riley and FBR as of December 31, 2016. The selected unaudited pro forma condensed combined financial data has been derived from and should be read in conjunction with the unaudited pro forma condensed combined financial information, including the notes thereto, which is included in this joint proxy statement/prospectus under Unaudited Pro Forma Condensed Combined Financial Information.

The selected unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not necessarily indicate the financial results of the combined companies had the companies actually been combined at the beginning of the period presented. The selected unaudited pro forma condensed combined financial information also does not consider any potential impacts of current market conditions on revenues, potential revenue enhancements, anticipated cost savings and expense efficiencies, or asset dispositions, among other factors. Further, as explained in more detail in the notes accompanying the more detailed unaudited pro forma condensed combined financial information included under Unaudited Pro Forma Condensed Combined Financial Information, the pro forma allocation of purchase price reflected in the selected unaudited pro forma condensed combined financial information is subject to adjustment and may vary from the actual purchase price allocation that will be recorded at the time the merger is completed. Additionally, the adjustments made in the unaudited pro forma condensed combined financial information, which are described in those notes, are preliminary and may be revised.

**Unaudited Pro Forma Condensed Combined Statement of Operations**

<b>(Dollars in thousands)</b>	<b>Year ended December 31, 2016</b>	
Total revenues	\$	325,009
Operating income (loss)	\$	15,259
Net income (loss) attributable to B. Riley stockholders	\$	2,067

**Unaudited Pro Forma Condensed Combined Balance Sheet**

<b>(Dollars in thousands)</b>	<b>As of December 31, 2016</b>	
Cash and cash equivalents	\$	123,084
Total assets	\$	1,272,544
		23,917

B. Riley pro forma common shares  
outstanding (in thousands)

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**Table of Contents****COMPARATIVE PER SHARE DATA (UNAUDITED)**

Presented below for B. Riley and FBR is historical, unaudited pro forma combined and pro forma equivalent per share financial data as of and for the fiscal year ended December 31, 2016. Except for the historical information as of and for the year ended December 31, 2016, the information provided in the table below is unaudited. The information presented below should be read together with the historical consolidated financial statements of B. Riley and FBR, including the related notes, filed by B. Riley and FBR, as applicable, with the SEC and incorporated by reference into this joint proxy statement/prospectus. See [Where You Can Find More Information](#).

The unaudited pro forma data and equivalent per share information give effect to the merger as if the merger had been effective on December 31, 2016 in the case of the book value data, and as if the merger had been effective as of January 1, 2016, in the case of the earnings per share and the cash dividends data. The unaudited pro forma data combines the historical results of FBR into B. Riley's consolidated statement of income. While certain adjustments were made for the estimated impact of fair value adjustments and other acquisition-related activity, they are not indicative of what could have occurred had the acquisition taken place on January 1, 2016.

The unaudited pro forma adjustments are based upon available information and certain assumptions that B. Riley management believes are reasonable. The unaudited pro forma data, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the merger or consider any potential impacts of current market conditions or the merger on revenues, expense efficiencies or asset dispositions, among other factors, nor the impact of possible business model changes. As a result, unaudited pro forma data is presented for illustrative purposes only and does not represent an attempt to predict or suggest future results. Upon completion of the merger, the operating results of FBR will be reflected in the consolidated financial statements of B. Riley on a prospective basis.

	<b>B. Riley Historical</b>	<b>FBR Historical</b>	<b>Pro Forma Combined (2)</b>	<b>Per Equivalent FBR Common Share (1)</b>
<b>For the year ended December 31, 2016</b>				
Basic Earnings (Loss) Per Share	\$ 1.19	\$ (8.89)	\$ 0.09	\$ 0.06
Diluted Earnings (Loss) Per Share	\$ 1.17	\$ (8.89)	\$ 0.09	\$ 0.06
Cash Dividends Declared	\$ 0.28	\$ 0.80	\$ 0.28	\$ 0.19
Book value per share as of December 31, 2016	\$ 7.80	\$ 16.13	\$ 9.71	\$ 6.52

(1) Reflects FBR common shares at the exchange ratio of 0.671.

(2) Pro forma combined cash dividends declared are based only upon B. Riley's historical amounts.

**Table of Contents****MARKET PRICES, DIVIDENDS AND OTHER DISTRIBUTIONS****Stock Prices**

The table below sets forth, for the calendar quarters indicated, the high and low sales price per share of, and the dividends declared on, B. Riley common shares, which trade on Nasdaq under the symbol RILY, and FBR common shares, which trade on Nasdaq under the symbol FBRC. As of [ ], 2017, there were approximately [ ] registered B. Riley stockholders, and as of [ ], 2017, there were approximately [ ] registered FBR shareholders.

	B. Riley Common Shares			FBR Common Shares		
	High	Low	Dividends	High	Low	Dividends
<b>2015</b>						
First Quarter	\$ 13.75	\$ 9.10	\$ 0.00	\$ 25.56	\$ 21.83	\$ 0.00
Second Quarter	\$ 12.50	\$ 7.98	\$ 0.06	\$ 24.33	\$ 20.68	\$ 0.00
Third Quarter	\$ 11.00	\$ 9.06	\$ 0.20	\$ 25.07	\$ 20.25	\$ 0.20
Fourth Quarter	\$ 10.51	\$ 9.00	\$ 0.06	\$ 22.37	\$ 17.22	\$ 0.20
<b>2016</b>						
First Quarter	\$ 10.50	\$ 9.00	\$ 0.00	\$ 19.87	\$ 15.51	\$ 0.20
Second Quarter	\$ 12.00	\$ 9.50	\$ 0.00	\$ 20.48	\$ 14.84	\$ 0.20
Third Quarter	\$ 13.52	\$ 8.59	\$ 0.03	\$ 16.65	\$ 13.03	\$ 0.20
Fourth Quarter	\$ 19.45	\$ 12.10	\$ 0.25	\$ 14.90	\$ 10.57	\$ 0.20
<b>2017</b>						
First Quarter (through March 15, 2017)	\$ 21.30	\$ 14.00	\$ 0.26	\$ 19.40	\$ 13.20	\$ 0.20

The following table sets forth the closing sale prices per B. Riley common share and FBR common share on February 17, 2017, the last trading day completed before the public announcement of the signing of the merger agreement, and on [ ], 2017, the latest practicable date before the date of this joint proxy statement/prospectus.

	B. Riley Common Shares	FBR Common Shares
February 17, 2017	\$17.55	\$16.70
[ ], 2017	[ ]	[ ]

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus, including information included or incorporated by reference in this joint proxy statement/prospectus, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, (i) statements about the benefits of the merger, including future financial and operating results, cost savings, enhancements to revenue and accretion to reported earnings that may be realized from the merger; (ii) statements about B. Riley's respective plans, objectives, expectations and intentions and other statements that are not historical facts; and (iii) other statements identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates, continues, prospects, projections, or potential, future conditional verbs such as will, would, should, could, or may similar meaning. These forward-looking statements are based on current beliefs and expectations of B. Riley's management and FBR's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond B. Riley and FBR's control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

In addition to factors previously disclosed in B. Riley and FBR's reports filed with the SEC and those identified elsewhere in this joint proxy statement/prospectus (including the section entitled Risk Factors), the following potential factors, among others, could cause actual results to differ materially from the anticipated results or other expectations in the forward-looking statements:

the merger may not close when expected or at all because required regulatory, shareholder or other approvals and other conditions to closing are not satisfied on a timely basis or at all;

B. Riley's share price could change, before closing of the merger, including as a result of broader stock market movements, and the performance of financial companies and peer group companies;

the FBR board of directors may be unable to pay the pre-closing dividend, and the amount of the pre-closing dividend could change as a result of changes in FBR's business;

benefits from the merger may not be fully realized or may take longer to realize than expected, including as a result of changes in general economic and market conditions, interest and exchange rates, monetary policy, laws and regulations and their enforcement, and the degree of competition in the geographic and business areas in which B. Riley and FBR operate;

operating costs, customer losses and business disruption following the merger, including adverse developments in relationships with employees, may be greater than expected; and

management time and effort may be diverted to the resolution of merger-related issues.

All subsequent written and oral forward-looking statements concerning the proposed transactions or other matters attributable to B. Riley or FBR or any person acting on behalf of B. Riley or FBR are expressly qualified in their

entirety by the cautionary statements above. Neither B. Riley nor FBR undertakes any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

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**RISK FACTORS**

*In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, including B. Riley's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and FBR's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and the matters addressed under the caption **Cautionary Note Regarding Forward-Looking Statements**, B. Riley stockholders and FBR shareholders should consider the matters described below carefully in determining whether to approve the issuance of B. Riley common shares in the merger or vote to approve the merger agreement and the transactions contemplated by the merger agreement, as applicable.*

**Risk Factors Relating to the Merger and B. Riley's Business Upon Completion of the Merger**

***Because the market price of B. Riley common shares may fluctuate, the value of the merger consideration to be received by FBR shareholders may change, and general market conditions and unpredictable factors, including conditions and factors different from those affecting FBR common shares currently could adversely affect market prices for B. Riley common shares once the B. Riley share issuance is issued.***

Upon completion of the merger, each outstanding FBR common share, excluding certain specified shares, will be converted into and become exchangeable for 0.671 of a B. Riley common share pursuant to the terms of the merger agreement. The closing price of B. Riley common shares on the date that the merger is completed may vary from the closing price of B. Riley common shares on the date B. Riley and FBR announced the merger, on the date that this joint proxy statement/prospectus is being mailed to the FBR shareholders and on the date of the FBR special meeting. Because the merger consideration is determined by a fixed exchange ratio of 0.671, at the time of the FBR special meeting, FBR shareholders will not know or be able to calculate the value of the B. Riley common shares they will receive upon completion of the merger. Any change in the market price of B. Riley common shares prior to completion of the merger will affect the value of the merger consideration that FBR shareholders will receive upon completion of the merger. Share price changes may result from a variety of factors, including general market and economic conditions, changes in B. Riley's and FBR's respective businesses, operations and prospects, and regulatory considerations, among other things. Many of these factors are beyond the control of B. Riley and FBR. FBR shareholders should obtain current market quotations for B. Riley common shares before voting their shares at the FBR special meeting. Any change in the market price of B. Riley common shares prior to the completion of the merger will affect the market value of the share consideration that FBR common shares will receive upon completion of the merger, and there will be no adjustment to the merger consideration for changes in the market price of either B. Riley common shares or FBR common shares.

The market price of B. Riley common shares may be volatile and could fluctuate substantially due to many factors, including, among other things:

actual or anticipated fluctuations in B. Riley's results of operations;

announcements of significant contracts and transactions by B. Riley or its competitors;

sale of common stock or other securities in the future;

the trading volume of B. Riley common shares;

changes in B. Riley's pricing policies or the pricing policies of its competitors; and

general economic conditions.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies whose shares are traded on the stock market. These broad market factors may materially harm the market price of B. Riley common shares, regardless of B. Riley's operating performance.



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In addition, the amount to be received by FBR shareholders in the pre-closing dividend may change as a result of factors set forth below in Risk Factors Risk Factors Relating to the Pre-Closing Dividend.

***Anticipation of the pre-closing dividend may result in the price of FBR common shares declining on or after the ex-dividend date or payment date of the pre-closing dividend.***

Pursuant to the merger agreement, prior to the effective time, but not earlier than the 15th day prior to the anticipated closing date of the merger, the FBR board of directors intends to declare and cause FBR to pay a pre-closing dividend of up to and including \$8.50 per FBR common share to the FBR shareholders if, after giving effect to such pre-closing dividend, FBR will have remaining at least \$33,500,000 in cash and cash equivalents and certain financial instruments (subject to certain adjustments), plus any amounts necessary to pay any accrued transaction expenses, which we refer to as the minimum cash and financial instrument amount. In addition, if there are additional available funds remaining after the payment of a pre-closing dividend of \$8.50 per share, and such additional available funds are in excess of \$5,000,000 above the minimum cash and financial instrument amount, which excess we refer to as the excess available funds, a portion of the excess available funds may be paid as part of the pre-closing dividend. Anticipation of the payment of the pre-closing dividend may cause upward pressure on or support of the price of FBR common shares as investors purchase or hold shares to collect the pre-closing dividend. The pre-closing dividend will reduce the shareholders' equity of FBR and the price of FBR common shares may decline on or after the ex-dividend date or payment date of the pre-closing dividend. See The Merger Agreement Pre-Closing Dividend.

***The amount of the pre-closing dividend is uncertain.***

The merger agreement provides that if FBR will have at least the minimum cash and financial instrument amount after giving effect to the pre-closing dividend, the available funds will be paid as a dividend to FBR shareholders in an amount per share of up to and including \$8.50. In addition, if there are excess available funds, a portion of the excess available funds may be paid as part of the pre-closing dividend. There is no assurance that there will be available funds sufficient to provide for a pre-closing dividend of \$8.50 per share or a higher per share amount, if any, and even if a pre-closing dividend is paid it may be significantly less than \$8.50 per share. In addition, because of the minimum cash and financial instrument amount, there is no assurance that the FBR board of directors will be permitted to pay the pre-closing dividend under the merger agreement. See The Merger Agreement Pre-Closing Dividend.

***The results of operations of B. Riley after the merger may be affected by factors different from those currently affecting the results of operations of FBR.***

The businesses of B. Riley and FBR differ in important respects and, accordingly, the results of operations of the combined company and the market price of the combined company's common shares may be affected by factors different from those currently affecting the independent results of operations of FBR. For a discussion of the business of B. Riley and certain factors to be considered in connection with B. Riley's business, see Information About the Parties and the documents incorporated by reference in this joint proxy statement/prospectus and referred to under Where You Can Find More Information. For a discussion of the business of FBR and certain factors to be considered in connection with FBR's business, see Information About the Parties and the documents incorporated by reference in this joint proxy statement/prospectus and referred to under Where You Can Find More Information.

***The merger agreement limits FBR's ability to pursue an alternative transaction and requires FBR to pay a termination fee of \$5,000,000 under certain circumstances relating to alternative acquisition proposals.***

The merger agreement prohibits FBR from initiating, soliciting, proposing, knowingly encouraging or knowingly facilitating certain alternative acquisition proposals with or from any third party, subject to the exceptions set forth in

the merger agreement. See The Merger Agreement No Solicitation or Negotiation of

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Acquisition Proposals. Further, even if the FBR board of directors effects a change of recommendation, FBR will still be required to submit the merger agreement to the FBR shareholders to obtain the requisite FBR shareholder approval at the FBR special meeting. See [The Merger Agreement](#) [Stockholders Meetings](#). The merger agreement also provides for the payment by FBR to B. Riley of a termination fee of \$5,000,000 in the event that the merger agreement is terminated in certain circumstances, involving, among others, the termination of the merger agreement in certain circumstances followed by an acquisition, or a definitive agreement providing for an acquisition, of FBR by a third party. These provisions may discourage a potential competing acquiror that might have an interest in acquiring FBR from considering or proposing such an acquisition. It should be noted, however, that the failure of FBR shareholders to approve the merger agreement will not in and of itself trigger FBR's obligation to pay the termination fee, unless other factors, including a third-party acquisition proposal for FBR, also exist. See [The Merger Agreement](#) [Termination of the Merger Agreement](#) and [The Merger Agreement](#) [Termination Fee](#).

***The fairness opinion that FBR has obtained from its financial advisor has not been, and is not expected to be, updated to reflect any changes in circumstances that may have occurred since the signing of the merger agreement.***

The fairness opinion issued to FBR by Berkshire Capital regarding the fairness, from a financial point of view, of the consideration (including the pre-closing dividend) to be paid in connection with the merger, speaks only as of February 17, 2017. Changes in the operations and prospects of FBR or B. Riley, general market and economic conditions and other factors which may be beyond the control of FBR or B. Riley, and on which the fairness opinion was based, may have altered the value of B. Riley or FBR or the market prices of B. Riley common shares or FBR common shares as of the date of this joint proxy statement/prospectus, or may alter such values and market prices by the time the merger is completed. In addition, the availability and size of the pre-closing dividend may vary based on FBR's accrued transaction expenses and the amount of cash and certain investments held by FBR after the declaration of the pre-closing dividend, as described in [Risk Factors](#) [Risks Relating to the Pre-Closing Dividend](#). Berkshire Capital does not have any obligation to update, revise or reaffirm its opinion to reflect subsequent developments, and has not done so. Because FBR does not currently anticipate asking Berkshire Capital to update its opinion, the opinion will not address the fairness of the merger consideration (including the pre-closing dividend) from a financial point of view at the time the merger is completed or as of any other date other than the date of such opinion. FBR's board of directors' recommendation that FBR shareholders vote **FOR** approval of the merger agreement, however, is made as of the date of this joint proxy statement/prospectus. For a description of the opinion that FBR received from Berkshire Capital, see [The Merger](#) [Opinion of FBR's Financial Advisor](#).

***Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.***

Before the transactions contemplated by the merger agreement, including the merger, may be completed, various approvals must be obtained from governmental and self-regulatory authorities, including (i) the expiration or early termination of the applicable waiting period under the HSR Act and (ii) subject to certain exceptions, the receipt of approval of each FBR broker-dealer subsidiary's Continuing Membership Application by FINRA. These authorities may impose conditions on the granting of such approvals. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying completion of the merger or of imposing additional costs or limitations on the combined company following the merger. The regulatory approvals may not be received at all, may not be received in a timely fashion, and may contain conditions on the completion of the merger that are not anticipated or cannot be met. Furthermore, such conditions on completion may constitute a burdensome condition that may allow B. Riley to refuse to consummate the merger, as described in [The Merger Agreement](#) [Conditions to the Merger](#) [Conditions to Obligations of B. Riley](#). If the consummation of the merger is delayed, including by a delay in receipt of necessary governmental approvals, the business, financial condition and results of operations of each

company may also be materially adversely affected.

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***The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may cause the prices of B. Riley common shares or FBR common shares to decline.***

The merger is subject to customary conditions to closing, including the receipt of required regulatory approvals and approval of each party's shareholders of certain merger-related proposals. If any condition to the merger is not satisfied or waived, to the extent permitted by law, the merger will not be completed. In addition, B. Riley and FBR may terminate the merger agreement under certain circumstances even if the merger agreement is approved by each party's shareholders. If B. Riley and FBR do not complete the merger, the trading prices of B. Riley common shares and/or FBR common shares may decline. In addition, neither company would realize any of the expected benefits of having completed the merger. If the merger is not completed and FBR's board of directors seeks another merger or business combination, FBR shareholders cannot be certain that FBR will be able to find a party willing to offer equivalent or more attractive consideration than the consideration (including the pre-closing dividend) B. Riley has agreed to provide in the merger. If the merger is not completed, additional risks could materialize, which could materially and adversely affect the business, financial condition and results of B. Riley or FBR. For more information on closing conditions to the merger agreement, see [The Merger Agreement](#) [Conditions to the Merger](#).

***B. Riley and FBR will be subject to business uncertainties and contractual restrictions while the merger is pending.***

Uncertainty about the effect of the merger on employees, customers and vendors may have an adverse influence on the business, financial condition and results of operations of FBR and B. Riley. These uncertainties may impair FBR's or B. Riley's ability to attract, retain and motivate key personnel pending the consummation of the merger, as such personnel may experience uncertainty about their future roles following the consummation of the merger. Additionally, these uncertainties could cause self-regulatory organizations, customers, clearing brokers, suppliers, vendors and others who deal with FBR or B. Riley to seek to change existing business relationships with FBR, B. Riley or the combined company or fail to extend an existing relationship with FBR, B. Riley or the combined company.

In addition, the merger agreement restricts FBR and B. Riley from taking certain actions without the other party's consent while the merger is pending and requires FBR and B. Riley to operate their businesses in the ordinary and usual course. These restrictions could have a material adverse effect on FBR's or B. Riley's business, financial condition and results of operations. Please see the section entitled [The Merger Agreement](#) [Conduct of FBR Business](#) for a description of the restrictive covenants applicable to FBR, and the section entitled [The Merger Agreement](#) [B. Riley Forbearance](#) for a description of the restrictive covenants applicable to B. Riley during the pendency of the merger.

***B. Riley common shares to be received by FBR shareholders as a result of the merger will have rights different from the FBR common shares.***

Upon completion of the merger, the rights of former FBR shareholders who receive B. Riley common shares in the merger and thereby become B. Riley stockholders will be governed by the B. Riley certificate and the B. Riley bylaws. The rights associated with FBR common shares are different from the rights associated with B. Riley common shares. In addition, the rights of shareholders under the laws of Delaware, where B. Riley is organized, may differ from the rights of shareholders under the laws of Virginia, where FBR is organized. See [Comparison of Certain Rights of Holders of B. Riley and FBR Common Shares](#) for a discussion of the different rights associated with B. Riley common shares.

***B. Riley and FBR shareholders will generally have a reduced ownership and voting interest after the merger and will exercise less influence over management.***

B. Riley stockholders currently have the right to vote in the election of the B. Riley board of directors and on other matters affecting B. Riley. FBR shareholders currently have the right to vote in the election of the FBR

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board of directors and on other matters affecting FBR. Upon the completion of the merger, except for shareholders who own common shares in both B. Riley and FBR, each party's shareholders will be a stockholder of B. Riley with a percentage ownership of B. Riley that is smaller than such stockholder's current percentage ownership of B. Riley or FBR, as applicable. It is currently expected that the former shareholders of FBR as a group will receive shares in the merger constituting approximately [ ]% of the outstanding shares of the combined company immediately after the merger. As a result, current stockholders of B. Riley as a group will own approximately [ ]% of the outstanding shares of the combined company immediately after the merger. Because of this, B. Riley and FBR shareholders will generally have less influence on the management and policies of the combined company than they now have on the management and policies of B. Riley or FBR, as applicable.

***Sales of substantial amounts of B. Riley common shares in the open market by former FBR shareholders could depress B. Riley's share price.***

B. Riley common shares that are issued to shareholders of FBR in the merger will be freely tradable without restrictions or further registration under the Securities Act. As of the B. Riley record date, B. Riley had approximately [ ] common shares outstanding, and [ ] B. Riley common shares were reserved for issuance under the B. Riley stock plans. Based on the number of FBR common shares currently outstanding, B. Riley currently expects to issue approximately [ ] common shares in connection with the merger.

If the merger is completed and if FBR's former shareholders sell substantial amounts of B. Riley common shares in the public market following completion of the merger, the market price of B. Riley common shares may decrease. These sales might also make it more difficult for B. Riley to sell equity or equity-related securities at a time and price that it otherwise would deem appropriate.

***Combining B. Riley and FBR may be more difficult, costly or time consuming than expected and the anticipated benefits and cost savings of the merger may not be realized.***

The success of the merger will depend on, among other things, the combined company's ability to combine the businesses of B. Riley and FBR. If the combined company is not able to successfully achieve this objective, the anticipated benefits of the merger may not be realized fully, or at all, or may take longer to realize than expected.

B. Riley and FBR have operated and, until the consummation of the merger, will continue to operate independently. The success of the merger, including anticipated benefits and cost savings, will depend, in part, on B. Riley's ability to successfully combine and integrate the businesses of B. Riley and FBR in a manner that permits growth opportunities, and does not materially disrupt existing customer relations nor result in decreased revenues due to loss of customers. It is possible that the integration process or other factors could result in the loss or departure of key employees, the disruption of the ongoing business of B. Riley or FBR or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with clients, customers and employees or to achieve the anticipated benefits and cost savings of the merger. It is also possible that clients, customers and counterparties of B. Riley or FBR could choose to discontinue their relationships with the combined company because they prefer doing business with an independent company or for any other reason, which would adversely affect the future performance of the combined company. The loss of key employees could adversely affect B. Riley's ability to successfully conduct its business, which could have an adverse effect on B. Riley's financial results and the value of its common stock. If B. Riley experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. Integration efforts between the two companies will also divert management attention and resources. These transition matters could have an adverse effect on each of B. Riley and FBR during the pre-merger period and for an undetermined amount of time after the consummation of the merger. In addition, the actual cost savings of the merger could be less

than anticipated.



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***The unaudited pro forma condensed combined financial information included in this joint proxy statement/prospectus is illustrative only and the actual financial condition and results of operations after the merger may differ materially.***

The unaudited pro forma condensed combined financial information in this joint proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of what B. Riley's actual financial condition or results of operations would have been had the merger been completed on the date indicated. The unaudited pro forma condensed combined financial information reflects adjustments, which are based upon preliminary estimates, to record the identifiable tangible and intangible FBR assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this joint proxy statement/prospectus is preliminary and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of FBR as of the date of the completion of the merger. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this joint proxy statement/prospectus. For more information, please see the section entitled "Unaudited Pro Forma Condensed Combined Financial Information."

***FBR directors and officers have interests in the merger that may differ from, or may be in addition to, the interests of FBR shareholders generally.***

In considering the recommendations of the board of directors of FBR, FBR shareholders should be aware that directors and executive officers of FBR have interests in the merger that may differ from, or may be in addition to, the interests of FBR shareholders generally. The FBR board of directors was aware of these interests and considered them, among other matters, when it approved the merger agreement and in making its recommendations that the FBR shareholders approve the FBR merger proposal. These interests include:

Richard J. Hendrix, who is the Chairman and Chief Executive Officer of FBR, has entered into the new Hendrix employment agreement, which becomes effective upon the completion of the merger and which will replace the existing employment agreement between Mr. Hendrix and FBR, pursuant to which Mr. Hendrix (i) will serve as President and Chief Executive Officer of the combined brokerage business, and (ii) will become a member of the B. Riley board of directors;

Executive officers of FBR other than Mr. Hendrix will be eligible to receive severance benefits under a severance policy maintained by FBR upon an involuntary termination;

FBR's directors and executive officers have FBR options, FBR restricted stock, FBR RSUs, and FBR PSUs that, under the merger agreement, will be converted into either (i) B. Riley common shares or (ii) corresponding awards with respect to B. Riley common shares and the right to receive cash payment in connection with the pre-closing dividend;

Certain of FBR's executive officers have been granted an award consisting of an interest in a specified pool of securities that will be subject to accelerated vesting upon certain qualifying terminations of employment following the merger; and

FBR directors and officers are entitled to continued indemnification and insurance coverage under the merger agreement.

For a more complete description of the interests of FBR directors and executive officers in the merger, see The Merger Interests of FBR s Directors and Executive Officers in the Merger.

***Termination of the merger agreement could negatively affect B. Riley and/or FBR.***

If the merger agreement is terminated, there may be various consequences. For example, B. Riley s and/or FBR s businesses may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. Additionally, if the merger agreement is terminated, the market price of B. Riley s and/or FBR s

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common shares could decline to the extent that the current market prices reflect a market assumption that the merger will be completed. If the merger agreement is terminated under certain circumstances, FBR may be required to pay to B. Riley a termination fee of \$5 million.

*If the merger is not completed, B. Riley and FBR will have incurred substantial expenses without realizing the expected benefits of the merger.*

Each of B. Riley and FBR has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement, as well as the costs and expenses of filing, printing, and mailing this joint proxy statement/prospectus, and all filing and other fees paid to the SEC in connection with the merger. If the merger is not completed, B. Riley and FBR would have to recognize these expenses without realizing the expected benefits of the merger.

### **Risk Factors Relating to FBR and FBR's Business**

You should read and consider risk factors specific to FBR's business that will also affect the combined company after the merger. These risks are described in FBR's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are or will be filed with the SEC and incorporated by reference into this joint proxy statement/prospectus. See Documents Incorporated by Reference and Where You Can Find More Information.

### **Risk Factors Relating to B. Riley and B. Riley's Business**

You should read and consider risk factors specific to B. Riley's business that will also affect the combined company after the merger. These risks are described in B. Riley's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are or will be filed with the SEC and incorporated by reference into this joint proxy statement/prospectus. FBR shareholders should review these risks carefully because if the merger is completed, FBR shareholders will become B. Riley stockholders. See Documents Incorporated by Reference and Where You Can Find More Information.

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**FBR SPECIAL MEETING**

**Date, Time and Place**

The special meeting of shareholders of FBR will be held at [ ], at [ ], Eastern Time, on [ ], 2017.

**Purpose**

At the FBR special meeting, shareholders of FBR will be asked to consider and vote upon:

a proposal to approve the merger agreement, a copy of which is attached as Appendix A to this joint proxy statement/prospectus;

a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to FBR's named executive officers that is based on or otherwise relates to the merger, discussed under the section entitled "The Merger Interests of FBR's Directors and Executive Officers in the Merger;" and

a proposal to approve one or more adjournments of the FBR special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the FBR merger proposal.

***FBR Merger Proposal***

As discussed throughout this joint proxy statement/prospectus, FBR is asking its shareholders to approve the merger agreement, pursuant to which FBR will merge with and into merger sub, with merger sub continuing as the surviving company. FBR shareholders must approve the merger agreement in order for the merger to occur. If FBR shareholders fail to approve the merger agreement, the merger will not occur. FBR shareholders should read this joint proxy statement/prospectus carefully in its entirety, including the appendices, for more detailed information concerning the merger agreement and the merger. In particular, FBR shareholders are directed to the merger agreement, a copy of which is attached as **Appendix A** to this joint proxy statement/prospectus.

***FBR Merger-Related Named Executive Officer Compensation Proposal***

FBR is asking its shareholders to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to FBR's named executive officers in connection with the merger, and the agreements and understandings pursuant to which such compensation may be paid or become payable, discussed under the section entitled "The Merger Interests of FBR's Directors and Executive Officers in the Merger." This proposal, commonly referred to as the "say-on-golden-parachute" vote, is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

***FBR Adjournment Proposal***

If, at the FBR special meeting, the number of FBR common shares present or represented by proxy and voting in favor of the FBR merger proposal is insufficient to approve such proposal, or in the absence of a quorum, FBR intends to move to adjourn the FBR special meeting in order to solicit additional proxies.

In this proposal, FBR is asking its shareholders to authorize the holder of any proxy solicited by the FBR board of directors to vote in favor of granting discretionary authority to proxy holders to adjourn the FBR special meeting to another time and/or place for the purpose of soliciting additional proxies. If FBR shareholders approve the FBR adjournment proposal, FBR could adjourn the FBR special meeting and any adjourned session of the FBR special meeting and use the additional time to solicit additional proxies.

**Recommendations of the FBR Board of Directors**

The FBR board of directors unanimously recommends that FBR shareholders vote **FOR** the approval of the FBR merger proposal, **FOR** the approval of the merger-related named executive officer compensation proposal and **FOR** approval of the FBR adjournment proposal.

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### **Record Date and Quorum**

The FBR board of directors has fixed [ ], 2017 as the record date for determining the FBR shareholders entitled to notice of and to vote at the FBR special meeting, and only FBR common shareholders of record on the record date are entitled to vote at the FBR special meeting. At the close of business on [ ], 2017, there were [ ] FBR common shares issued and outstanding, held by approximately [ ] shareholders of record. FBR common shareholders of record on the record date are entitled to one vote per share on all matters properly before the FBR special meeting.

The representation (in person or by proxy) of holders of at least a majority in voting power of all issued and outstanding FBR common shares entitled to vote at the FBR special meeting constitutes a quorum for action at the FBR special meeting. All FBR common shares present in person or represented by proxy, including abstentions, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the FBR special meeting. In the event that a quorum is not present at the FBR special meeting, the FBR special meeting and any adjourned or postponed session of the FBR special meeting may be adjourned or postponed to solicit additional proxies. Pursuant to the FBR bylaws, in a situation in which a quorum is not present or represented at the FBR special meeting, the FBR special meeting may be adjourned by the chairman of the FBR special meeting or by the affirmative vote of holders of a majority of FBR common shares represented either in person or by proxy at the FBR special meeting.

### **Required Vote**

#### ***Required Vote to Approve the FBR Merger Proposal***

In accordance with the Virginia Stock Corporation Act and the FBR articles, the affirmative vote of a majority of the votes entitled to be cast on the FBR merger proposal is required to approve the FBR merger proposal at the FBR special meeting at which a quorum is present.

Each of the directors and executive officers of FBR has agreed to vote all shares held or controlled by him or her in favor of approval of the FBR merger proposal. As of the record date for the FBR special meeting, a total of [ ] outstanding shares, or [ ]% of the outstanding FBR common shares, are covered by the FBR voting agreements. See Voting Agreements.

#### ***FBR Merger-Related Named Executive Officer Compensation Proposal***

In accordance with the FBR bylaws, the vote to approve, on an advisory basis, the FBR merger-related named executive officer compensation proposal will be approved if the votes cast in favor of the proposal exceed the votes cast opposing the proposal at the FBR special meeting at which a quorum is present.

#### ***FBR Adjournment Proposal***

In accordance with the FBR bylaws, approval of the FBR adjournment proposal requires the affirmative vote of holders of a majority of the FBR common shares represented at the FBR special meeting, whether or not a quorum is present.

### **Abstentions and Broker Non-Votes**

If you are an FBR shareholder and you fail to vote or fail to instruct your broker or nominee to vote, or vote to abstain from voting, it will have the same effect as a vote against the FBR merger proposal. If you are an FBR shareholder

and you fail to vote or fail to instruct your broker or nominee to vote, or vote to abstain from voting, it will have no effect on the FBR merger-related named executive officer compensation proposal, assuming a quorum is present. If you are an FBR shareholder and you fail to vote or fail to instruct your broker or nominee to vote, it will have no effect on the FBR adjournment proposal; however, if you vote to abstain, it will have the same effect as a vote against the FBR adjournment proposal.

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### **How to Vote**

If you own FBR common shares in your own name, you are an owner of record. This means that you may use the enclosed proxy card(s) to tell the persons named as proxies how to vote your FBR common shares. An owner of record has four voting options:

#### ***Internet***

You can vote over the Internet by accessing [www.fcrvote.com/fbr](http://www.fcrvote.com/fbr). Internet voting is available 24 hours a day. Have your proxy card in hand when you access the website and follow the instructions to vote.

#### ***Telephone***

You can vote on any touch-tone telephone by calling 1-866-829-5207. Telephone voting is available 24 hours a day. Have your proxy card in hand when you call and follow the instructions to vote.

#### ***Mail***

You can vote by mail by completing, signing, dating and mailing your proxy card(s) in the postage-paid envelope included with this joint proxy statement/prospectus. If a proxy card is returned without an indication as to how the FBR common shares are to be voted with regard to a particular proposal, such FBR common shares will be voted in favor of each such proposal.

#### ***In Person***

You may attend the FBR special meeting and cast your vote in person. The FBR board of directors recommends that you vote by proxy even if you plan to attend the FBR special meeting.

The Internet and telephone proxy procedures are designed to authenticate shareholder identification, to allow shareholders to give their proxy voting instructions and to confirm that these instructions have been properly recorded. Directing the voting of your FBR common shares will not affect your right to vote in person if you decide to attend the FBR special meeting.

### **Shares Held in Street Name**

If your shares are held in street name in a stock brokerage account or by a bank or other nominee, you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank or broker. Please note that you may not vote shares held in street name by returning a proxy card directly to FBR or by voting in person at the FBR special meeting unless you provide a legal proxy, which you must obtain from your broker, bank or other nominee.

Brokers, banks or other nominees who hold shares in street name for a beneficial owner typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, brokers, banks or other nominees are not allowed to exercise their voting discretion on matters that are determined to be non-routine matters, such as the approval of the FBR merger proposal, the FBR merger-related named executive officer compensation proposal and the FBR adjournment proposal. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the applicable shareholders meeting but with respect to which the broker, bank or other nominee is not instructed by the beneficial owner of such shares to vote on the



particular proposal and the broker, bank or other nominee does not have discretionary voting power on such proposal.

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FBR does not expect to bring any matters before the FBR special meeting other than the proposals set forth in this joint proxy statement/prospectus. Assuming no additional matters are brought before the FBR special meeting on which brokers have discretionary voting authority, if you are an FBR shareholder, and you do not instruct your broker, bank or other nominee on how to vote your shares, your broker, bank or other nominee may not vote your shares on the FBR merger proposal, the FBR merger-related named executive officer compensation proposal or the FBR adjournment proposal, which broker non-votes will, with respect to the FBR merger proposal, have the effect of a vote against such proposal, and will, with respect to the FBR merger-related named executive officer compensation proposal and the FBR adjournment proposal, have no effect on the vote on such proposals.

## **Revoking Your Proxy**

You may revoke your proxy at any time after you give it, and before it is voted, in one of the following ways:

by writing, delivered to FBR's Corporate Secretary at c/o FBR & Co., 1300 North Seventeenth Street, Suite 1400, Arlington, Virginia 22209, stating that you are revoking your proxy by written notice that bears a date later than the date of your proxy and that FBR receives prior to the FBR special meeting and that states that you revoke your proxy;

by voting again using the telephone or Internet voting procedures;

by signing another FBR proxy card bearing a later date and mailing it so that FBR receives it prior to the FBR special meeting; or

by attending the FBR special meeting and voting in person, although attendance at the FBR special meeting alone will not, by itself, revoke a proxy.

If you choose the first method, you must take the described action no later than the beginning of the FBR special meeting. If you choose the second method, you must take the described action no later than 11:59 p.m., Eastern Time, on the day before the FBR special meeting. If you choose to send a completed proxy card bearing a later date than your original proxy card, the new proxy card must be received before the beginning of the FBR special meeting.

If your broker, bank or other nominee holds your shares in street name, you will need to contact your broker, bank or other nominee to revoke your voting instructions.

## **Attending the FBR Special Meeting**

The FBR special meeting will be held at [ ], at [ ], Eastern Time, on [ ], 2017. Subject to space availability, all shareholders of FBR as of the FBR record date, or their duly appointed proxies, may attend the FBR special meeting.

Please bring proper identification, together with proof that you are a record owner of FBR common shares. If your shares are held in street name, please bring acceptable proof of ownership, such as a letter from your broker or an account statement showing that you beneficially owned FBR common shares on the record date. You should also bring valid picture identification.

**Solicitation of Proxies**

FBR is soliciting proxies for the FBR special meeting on behalf of the FBR board of directors. FBR will bear the cost of soliciting proxies from its stockholders. In addition to using the mails, FBR may solicit proxies by personal interview, telephone and facsimile. Banks, brokerage houses, other institutions, nominees and

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fiduciaries will be requested to forward their proxy soliciting material to their principals and obtain authorization for the execution of proxies. FBR does not expect to pay any compensation for the solicitation of proxies. However, FBR will, upon request, pay the standard charges and expenses of banks, brokerage houses, other institutions, nominees and fiduciaries for forwarding proxy materials to and obtaining proxies from their principals. FBR has retained D.F. King & Co. to assist in the solicitation of proxies, which firm will, by agreement, receive compensation of \$[ ], plus expenses, for these services.

## **Delivery of Proxy Materials to Stockholders Sharing an Address**

As permitted by the Exchange Act, only one copy of this joint proxy statement/prospectus is being delivered to multiple shareholders of FBR sharing an address unless FBR has previously received contrary instructions from one or more such shareholders. This is referred to as householding. Householding provides greater convenience to shareholders and saves FBR money by reducing excess printing costs. Shareholders who hold shares in street name can request further information on householding through their banks, brokers or other holders of record. On written or oral request to FBR's proxy solicitor, D.F. King & Co., Inc., 48 Wall Street, New York, New York 10005, D.F. King & Co. will deliver promptly a separate copy of this joint proxy statement/prospectus to a shareholder at a shared address to which a single copy of the document was delivered, or will deliver a single copy of this joint proxy statement/prospectus to shareholders at a shared address to which multiple copies of the document was delivered.

## **Assistance**

If you need assistance in completing your proxy card, have questions regarding FBR's special meeting, or would like additional copies of this joint proxy statement/prospectus, please contact Investor Relations at (703) 312-9715 or FBR's proxy solicitor, D.F. King & Co., Inc., 48 Wall Street, New York, New York 10005, toll-free at (866) 620-0678.

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**FBR PROPOSALS**

**FBR Merger Proposal**

As discussed throughout this joint proxy statement/prospectus, FBR is asking its shareholders to approve the FBR merger proposal. FBR shareholders should read this joint proxy statement/prospectus carefully in its entirety, including the appendices, for more detailed information concerning the merger agreement and the merger. In particular, FBR shareholders are directed to the merger agreement, a copy of which is attached as **Appendix A** to this joint proxy statement/prospectus.

After careful consideration, the FBR board of directors, by a unanimous vote of all directors, approved the merger agreement and declared the merger agreement to be advisable and in the best interests of FBR and the shareholders of FBR. See *The Merger Recommendations of the FBR Board of Directors and Reasons for the Merger* included elsewhere in this joint proxy statement/prospectus for a more detailed discussion of the FBR board of directors recommendation. Accordingly, **the FBR board of directors unanimously recommends a vote FOR the FBR merger proposal.**

**Merger-Related Named Executive Officer Compensation Proposal**

FBR is asking its shareholders to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to FBR's named executive officers in connection with the merger, and the agreements and understandings pursuant to which such compensation may be paid or become payable, discussed under the section entitled *The Merger Interests of FBR's Directors and Executive Officers in the Merger*. This proposal, commonly referred to as the *say-on-golden-parachute* vote, is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. In accordance with Rule 14a-21(a) of the Exchange Act, FBR is asking its shareholders to approve the following advisory resolution:

**RESOLVED, that the compensation that may be paid or become payable to FBR's named executive officers, in connection with the merger, and the agreements or understandings pursuant to which such compensation may be paid or become payable, as disclosed pursuant to the compensation disclosure rules of the SEC in *The Merger Interests of FBR's Directors and Executive Officers in the Merger*, is hereby APPROVED.**

The vote on this proposal is a vote separate and apart from the vote to approve the merger agreement. Accordingly, you may vote not to approve this proposal on merger-related named executive officer compensation and vote to approve the merger agreement and vice versa. You also may abstain from this proposal and vote on the FBR merger proposal, or vice versa. Because the vote is advisory in nature, it will not be binding on FBR or B. Riley, regardless of whether the merger agreement is approved. Approval of the advisory (non-binding) proposal with respect to the compensation that may be paid or become payable to FBR's named executive officers in connection with the merger is not a condition to completion of the merger, and failure to approve this advisory matter will have no effect on the vote to approve the merger agreement.

**The FBR board of directors unanimously recommends a vote FOR the merger-related named executive officer compensation proposal.**

**FBR Adjournment Proposal**

The FBR special meeting may be adjourned to another time or place, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the FBR special meeting to approve the FBR merger proposal or in

the absence of a quorum.

If, at the FBR special meeting, a quorum is not present or the number of FBR common shares present or represented and voting in favor of the FBR merger proposal is insufficient to approve the FBR merger proposal,

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FBR intends to move to adjourn the FBR special meeting in order to enable the FBR board of directors to solicit additional proxies. In that event, if the chairman of the FBR special meeting does not adjourn for the absence of a quorum, FBR will ask its shareholders to vote only upon the FBR adjournment proposal, and not the FBR merger proposal.

In this proposal, FBR is asking its shareholders to authorize the holder of any proxy solicited by the FBR board of directors to vote in favor of granting discretionary authority to the proxy holders, and each of them individually, to adjourn the FBR special meeting to another time and place for the purpose of soliciting additional proxies. If the FBR shareholders approve the FBR adjournment proposal, FBR could adjourn the FBR special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from FBR shareholders who have previously voted.

**The FBR board of directors unanimously recommends a vote **FOR** the FBR adjournment proposal.**

**Other Matters to Come Before the FBR Special Meeting**

No other matters are intended to be brought before the FBR special meeting by FBR, and FBR does not know of any matters to be brought before the FBR special meeting by others. If, however, any other matters properly come before the FBR special meeting, the persons named in the proxy will vote the shares represented thereby in accordance with the judgment of management on any such matter.

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**B. RILEY ANNUAL MEETING**

**Date, Time and Place**

The annual meeting of stockholders of B. Riley will be held at [ ], at [ ], Pacific Time, on [ ], 2017.

**Purpose**

At the B. Riley annual meeting, stockholders of B. Riley will be asked to consider and vote upon:

a proposal to approve the issuance of B. Riley common shares in the merger;

a proposal to approve one or more adjournments of the B. Riley annual meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the B. Riley share issuance proposal;

a proposal to elect seven (7) directors to hold office for a one-year term to expire at B. Riley's 2018 Annual Meeting of the Stockholders or until their successors are elected and duly qualified;

a proposal to ratify the selection of Marcum, LLP as B. Riley's independent registered public accounting firm for the fiscal year ending December 31, 2017; and

such other business as may properly come before the B. Riley annual meeting or any adjournment or postponement thereof.

**Recommendations of the B. Riley Board of Directors**

The B. Riley board of directors unanimously recommends that B. Riley stockholders vote **FOR** the approval of the B. Riley share issuance proposal, **FOR** approval of the B. Riley adjournment proposal, **FOR** the election of the B. Riley directors and **FOR** the B. Riley accounting firm ratification proposal. See The Merger Recommendations of the B. Riley Board of Directors and Reasons for the Merger included elsewhere in this joint proxy statement/prospectus for a more detailed discussion of the B. Riley board of directors' recommendation of the B. Riley share issuance proposal.

**Record Date and Quorum**

The B. Riley board of directors has fixed [ ], 2017, as the record date for determining the B. Riley stockholders entitled to notice of and to vote at the B. Riley annual meeting, and only B. Riley stockholders of record on the record date are entitled to vote at the B. Riley annual meeting. At the close of business on [ ], 2017, there were [ ] B. Riley common shares issued and outstanding, held by approximately [ ] B. Riley stockholders of record. B. Riley stockholders of record on the record date are entitled to one vote per share on all matters properly before the B. Riley annual meeting.

The representation (in person or by proxy) of holders of at least a majority in voting power of all issued and outstanding B. Riley common shares entitled to vote at the B. Riley annual meeting constitutes a quorum for action at



the B. Riley annual meeting. All B. Riley common shares present in person or represented by proxy, including abstentions, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the B. Riley annual meeting. In the event that a quorum is not present at the B. Riley annual meeting, the B. Riley annual meeting and any adjourned or postponed session of the B. Riley annual meeting may be adjourned or postponed to solicit additional proxies. Pursuant to the B. Riley bylaws, in a situation in which a quorum is not present or represented at the B. Riley annual meeting, the B. Riley annual meeting may be adjourned by the chairman of the B. Riley annual meeting or by the affirmative vote of holders of a majority of B. Riley common shares represented either in person or by proxy at the B. Riley annual meeting.

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**Required Vote**

***B. Riley Share Issuance Proposal***

In accordance with the B. Riley bylaws, approval of the B. Riley share issuance proposal requires the affirmative vote of holders of a majority of the outstanding B. Riley common shares present in person or represented by proxy and entitled to vote on the B. Riley share issuance proposal at the B. Riley annual meeting at which a quorum is present.

Each of the directors and executive officers of B. Riley has agreed to vote all shares held or controlled by him or her in favor of approval of the B. Riley share issuance proposal. As of the record date for the B. Riley annual meeting, a total of [ ] outstanding shares, or [ ]% of the outstanding B. Riley common shares, are covered by the B. Riley voting agreements. See Voting Agreements.

***B. Riley Adjournment Proposal***

In accordance with the B. Riley bylaws, approval of the B. Riley adjournment proposal requires the affirmative vote of holders of a majority of the outstanding B. Riley common shares present in person or represented by proxy at the B. Riley annual meeting and entitled to vote at the B. Riley annual meeting, whether or not a quorum is present.

***B. Riley Election of Directors Proposal***

In accordance with the B. Riley bylaws, the affirmative vote of a plurality of the votes cast in favor of each director at the B. Riley annual meeting at which a quorum is present is required to approve the election of each such director.

***B. Riley Accounting Firm Ratification Proposal***

In accordance with the B. Riley bylaws, the affirmative vote of holders of a majority of the outstanding B. Riley common shares present in person or represented by proxy and entitled to vote on the B. Riley accounting firm ratification proposal at the B. Riley annual meeting at which a quorum is present is required to approve the B. Riley accounting firm ratification proposal.

**Abstentions and Broker Non-Votes**

If you are a holder of B. Riley common shares and you fail to vote or fail to instruct your broker or nominee to vote, it will have no effect on the B. Riley share issuance proposal; however, if you vote to abstain, it will have the same effect as a vote against the B. Riley share issuance proposal, assuming a quorum is present. If you are a holder of B. Riley common shares and you fail to vote or fail to instruct your broker or nominee to vote, or vote to abstain from voting, it will have no effect on the election of the B. Riley directors, assuming a quorum is present. If you are a holder of B. Riley common shares and you fail to vote or fail to instruct your broker or nominee to vote, it will have no effect on the B. Riley adjournment proposal; however, if you vote to abstain, it will have the same effect as a vote against the B. Riley adjournment proposal. If you are a holder of B. Riley common shares and you fail to vote or fail to instruct your broker or nominee to vote, your broker or nominee is entitled to vote your shares in respect of the B. Riley accounting firm ratification proposal; however, if you vote to abstain, it will have the same effect as a vote against the B. Riley accounting firm ratification proposal.

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### **How to Vote**

If you own B. Riley common shares in your own name, you are an owner of record. This means that you may use the enclosed proxy card(s) to tell the persons named as proxies how to vote your B. Riley common shares. An owner of record has four voting options:

#### ***Internet***

You can vote over the Internet by accessing <http://www.AALvote.com/RILY>. Internet voting is available 24 hours a day. Have your proxy card in hand when you access the website and follow the instructions to vote.

#### ***Telephone***

You can vote on any touch-tone telephone by calling 1 (866) 804-9616. Telephone voting is available 24 hours a day. Have your proxy card in hand when you call and follow the instructions to vote.

#### ***Mail***

You can vote by mail by completing, signing, dating and mailing your proxy card(s) in the postage-paid envelope included with this joint proxy statement/prospectus. If a proxy card is returned without an indication as to how the B. Riley common shares are to be voted with regard to a particular proposal, such B. Riley common shares will be voted in favor of each such proposal.

#### ***In Person***

You may attend the B. Riley annual meeting and cast your vote in person. The B. Riley board of directors recommends that you vote by proxy even if you plan to attend the B. Riley annual meeting.

The Internet and telephone proxy procedures are designed to authenticate stockholder identification, to allow stockholders to give their proxy voting instructions and to confirm that these instructions have been properly recorded. Directing the voting of your B. Riley common shares will not affect your right to vote in person if you decide to attend the B. Riley annual meeting.

### **Shares Held in Street Name**

If your shares are held in street name in a stock brokerage account or by a bank or other nominee, you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank or broker. Please note that you may not vote shares held in street name by returning a proxy card directly to B. Riley or by voting in person at the B. Riley annual meeting unless you provide a legal proxy, which you must obtain from your broker, bank or other nominee.

Brokers, banks or other nominees who hold shares in street name for a beneficial owner typically have the authority to vote in their discretion on routine proposals, such as the B. Riley accounting firm ratification proposal, when they have not received instructions from beneficial owners. However, brokers, banks or other nominees are not allowed to exercise their voting discretion on matters that are determined to be non-routine matters, such as the approval of the B. Riley share issuance proposal, the B. Riley adjournment proposal and the election of the B. Riley directors. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the applicable shareholders meeting but with respect to which the broker, bank or other nominee is not instructed by the beneficial owner of such

shares to vote on the particular proposal and the broker, bank or other nominee does not have discretionary voting power on such proposal.

B. Riley does not expect to bring any matters before the B. Riley annual meeting other than the proposals set forth in this joint proxy statement/prospectus. If you are a B. Riley stockholder, and you do not instruct your

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broker, bank or other nominee on how to vote your shares, your broker, bank or other nominee may not vote your shares on the B. Riley share issuance proposal, the B. Riley adjournment proposal or the election of the B. Riley directors, which broker non-votes will have no effect on the vote on these proposals. Broker non-votes will not result from the B. Riley accounting firm ratification proposal.

## **Revoking Your Proxy**

You may revoke your proxy at any time after you give it, and before it is voted, in one of the following ways:

by writing, delivered to B. Riley's Corporate Secretary at 21255 Burbank Boulevard, Suite 400, Woodland Hills, California 91367, stating that you are revoking your proxy by written notice that bears a date later than the date of your proxy and that B. Riley receives prior to the B. Riley annual meeting and that states that you revoke your proxy;

by voting again using the telephone or Internet voting procedures;

by signing another B. Riley proxy card bearing a later date and mailing it so that B. Riley receives it prior to the B. Riley annual meeting; or

by attending the B. Riley annual meeting and voting in person, although attendance at the B. Riley annual meeting alone will not, by itself, revoke a proxy.

If you choose the first method, you must take the described action no later than the beginning of the B. Riley annual meeting. If you choose the second method, you must take the described action no later than 11:59 p.m., Eastern Time, on the day before the B. Riley annual meeting. If you choose to send a completed proxy card bearing a later date than your original proxy card, the new proxy card must be received before the beginning of the B. Riley annual meeting.

If your broker, bank or other nominee holds your shares in street name, you will need to contact your broker, bank or other nominee to revoke your voting instructions.

## **Attending the B. Riley Annual Meeting**

The B. Riley annual meeting will be held at [ ], at [ ], Pacific Time, on [ ], 2017. Subject to space availability, all stockholders of B. Riley as of the B. Riley record date, or their duly appointed proxies, may attend the B. Riley annual meeting.

Please bring proper identification, together with proof that you are a record owner of B. Riley common shares. If your shares are held in street name, please bring acceptable proof of ownership, such as a letter from your broker or an account statement showing that you beneficially owned B. Riley common shares on the record date. You should also bring valid picture identification.

## **Solicitation of Proxies**

B. Riley is soliciting proxies for the B. Riley annual meeting on behalf of the B. Riley board of directors. B. Riley will bear the cost of soliciting proxies from its stockholders. In addition to using the mails, B. Riley may solicit proxies by personal interview, telephone and facsimile. Banks, brokerage houses, other institutions, nominees and fiduciaries will be requested to forward their proxy soliciting material to their principals and obtain authorization for the execution of proxies. B. Riley does not expect to pay any compensation for the solicitation of proxies. However, B. Riley will, upon request, pay the standard charges and expenses of banks, brokerage houses, other institutions, nominees and fiduciaries for forwarding proxy materials to and obtaining proxies from their principals.

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**Delivery of Proxy Materials to Stockholders Sharing an Address**

As permitted by the Exchange Act, only one copy of this joint proxy statement/prospectus is being delivered to multiple B. Riley stockholders sharing an address unless B. Riley has previously received contrary instructions from one or more such stockholders. This is referred to as householding. Householding provides greater convenience to stockholders and saves B. Riley money by reducing excess printing costs. Stockholders who hold shares in street name can request further information on householding through their banks, brokers or other holders of record. On written or oral request to B. Riley's Corporate Secretary at 21255 Burbank Boulevard, Suite 400, Woodland Hills, California 91367, Telephone No. (818) 884-3737, B. Riley will deliver promptly a separate copy of this joint proxy statement/prospectus to a shareholder at a shared address to which a single copy of the document was delivered, or will deliver a single copy of this joint proxy statement/prospectus to shareholders at a shared address to which multiple copies of the document was delivered.

**Other Matters to Come Before the B. Riley Annual Meeting**

No other matters are intended to be brought before the B. Riley annual meeting by B. Riley, and B. Riley does not know of any matters to be brought before the B. Riley annual meeting by others. If, however, any other matters properly come before the B. Riley annual meeting, the persons named in the proxy will vote the shares represented thereby in accordance with the judgment of management on any such matter.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON [ ], 2017**

Copies of this joint proxy statement/prospectus and B. Riley's 2016 Annual Report to stockholders are available online at: <http://www.viewproxy.com/brileyfin/2017/>.

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**B. RILEY MERGER-RELATED PROPOSALS**

**B. Riley Share Issuance Proposal**

As discussed throughout this joint proxy statement/prospectus, B. Riley is asking its stockholders to approve the issuance of B. Riley common shares in connection with the merger. B. Riley stockholders should carefully read this joint proxy statement/prospectus in its entirety, including the appendices, for more detailed information concerning the merger agreement and the merger. In particular, B. Riley stockholders are directed to the merger agreement, a copy of which is attached as Appendix A to this joint proxy statement/prospectus.

**The B. Riley board of directors unanimously recommends a vote FOR the B. Riley share issuance proposal.**

**B. Riley Adjournment Proposal**

The B. Riley annual meeting may be adjourned to another time or place, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the B. Riley annual meeting to approve the B. Riley share issuance proposal or in the absence of a quorum.

If, at the B. Riley annual meeting, a quorum is not present or the number of B. Riley common shares present or represented and voting in favor of the B. Riley share issuance proposal is insufficient to approve the B. Riley share issuance proposal, B. Riley intends to move to adjourn the B. Riley annual meeting in order to enable the B. Riley board of directors to solicit additional proxies. In that event, if the chairman of the B. Riley annual meeting does not adjourn for the absence of a quorum, B. Riley will ask its stockholders to vote only upon the B. Riley adjournment proposal, and not the B. Riley share issue proposal.

In this proposal, B. Riley is asking its stockholders to authorize the holder of any proxy solicited by the B. Riley board of directors to vote in favor of granting discretionary authority to the proxy holders, and each of them individually, to adjourn the B. Riley annual meeting to another time and place for the purpose of soliciting additional proxies. If the B. Riley stockholders approve the B. Riley adjournment proposal, B. Riley could adjourn the B. Riley annual meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from B. Riley stockholders who have previously voted.

**The B. Riley board of directors unanimously recommends a vote FOR the B. Riley adjournment proposal.**



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**INFORMATION ABOUT THE PARTIES**

**FBR & Co.**

*1300 North Seventeenth Street*

*Arlington, Virginia 22209*

*(703) 312-9500*

FBR is a full-service investment banking and institutional brokerage firm with a deep expertise and focus on the equity capital markets. Since the founding of certain predecessor companies, FBR has grown from a boutique investment bank with primary expertise in financial institutions into a full-service U.S. investment bank for middle-market companies.

Through the FBR broker-dealer subsidiaries, FBR has focused its business on providing:

capital raising services, including underwriting and placement of public and private equity, equity-linked and debt securities;

financial advisory services, including merger and acquisition advisory, restructuring, liability management, recapitalization and strategic alternative analysis;

institutional sales and trading services focused on equity securities, as well as securities lending activities; and

differentiated securities research focused on the core issues driving performance of FBR's covered companies and industry sectors.

FBR focuses its capital markets business (investment banking and institutional brokerage) in the following industry sectors: consumer, energy and natural resources, financial institutions, healthcare, industrials, insurance, real estate, and technology, media and telecommunications. Approximately 70% of the companies included in the S&P 500 Index conduct business in the industry sectors in which FBR focuses. FBR also makes principal investments, including merchant banking investments, with its own capital.

FBR is a Virginia corporation formed in June 2006 and headquartered in Arlington, Virginia and also has offices in Boston, Dallas, Houston, Los Angeles, New York and San Francisco. The address of FBR's principal executive offices is 1300 North Seventeenth Street, Arlington, Virginia 22209. FBR's telephone number is (703) 312-9500.

FBR common shares are listed on Nasdaq under the symbol FBRC. Additional information about FBR and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. Please see the sections entitled "Documents Incorporated by Reference" and "Where You Can Find More Information."

**B. Riley Financial, Inc.**

*21255 Burbank Boulevard, Suite 400*

*Woodland Hills, California 91367*

*(818) 884-3737*

B. Riley Financial, Inc. and its subsidiaries provide collaborative financial services and solutions through a number of its subsidiaries and, following the acquisition of United Online, Inc. on July 1, 2016, B. Riley provides consumer services and products over the Internet. B. Riley & Co., LLC is a leading investment bank which provides corporate finance, research, and sales and trading to corporate, institutional and high net worth individual clients. Great American Group, LLC is a leading provider of advisory and valuation services, and asset

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disposition and auction solutions to a wide range of retail, wholesale and industrial clients, as well as lenders, capital providers, private equity investors and professional service firms. B. Riley Capital Management, LLC is an SEC registered investment advisor, which includes B. Riley Asset Management, a provider of investment products to institutional and high net worth investors, and B. Riley Wealth Management (formerly MK Capital Advisors), a multi-family office practice and wealth management firm focused on the needs of ultra-high net worth individuals and families; and Great American Capital Partners, LLC, a provider of senior secured loans and second lien secured loan facilities to middle market public and private U.S. companies. United Online Inc. provides Internet access services and devices under the NetZero and Juno brands primarily in the United States.

B. Riley is headquartered in Los Angeles, California, with offices in New York, Boston, Chicago, Charlotte, Dallas, San Francisco and other cities throughout the United States, Australia and Europe. B. Riley's principal executive offices are located at 21255 Burbank Boulevard, Suite 400, Woodland Hills, California 91367. B. Riley's telephone number is (818) 884-3737.

B. Riley common shares are listed on Nasdaq under the symbol RILY. Additional information about B. Riley and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. Please see the sections entitled Documents Incorporated by Reference and Where You Can Find More Information.

**BRC Merger Sub, LLC**

*c/o B. Riley Financial, Inc.*

*21255 Burbank Boulevard, Suite 400*

*Woodland Hills, California 91367*

*(818) 884-3737*

Merger sub, a Delaware limited liability company and wholly owned subsidiary of B. Riley & Co., LLC, a wholly owned subsidiary of B. Riley, was formed solely for the purpose of facilitating the merger. Merger sub has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement. By operation of the merger, FBR will be merged with and into merger sub, with merger sub surviving the merger.

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**THE MERGER**

*The following is a discussion of the merger and the material terms of the merger agreement between B. Riley and FBR. You are urged to read carefully the merger agreement in its entirety, a copy of which is attached as **Appendix A** to this document and incorporated by reference herein. This summary may not contain all of the information about the merger agreement that is important to you. Factual information about B. Riley and FBR can be found elsewhere in this joint proxy statement/prospectus and in the public filings B. Riley and FBR make with the SEC, as described in the section entitled *Where You Can Find More Information*.*

**Terms of the Merger**

***Transaction Structure***

Each of B. Riley's and FBR's respective boards of directors has unanimously approved the merger agreement. The merger agreement provides that, upon the terms and subject to the conditions set forth in the merger agreement, at the effective time, FBR will merge with and into merger sub, which is a wholly owned, limited liability company subsidiary of B. Riley that is disregarded from B. Riley for U.S. federal income tax purposes, with merger sub continuing as the surviving company.

***Merger Consideration***

In the merger, each FBR common share, excluding certain specified shares, will be converted into and become exchangeable for 0.671 of a B. Riley common share. For each fractional B. Riley common share that would otherwise be issued, B. Riley will pay cash in an amount equal to the fraction of a B. Riley common share (rounded to the nearest thousandth when expressed in decimal form) which the holder would otherwise be entitled to receive multiplied by the average of the per share closing prices of the B. Riley common shares on Nasdaq (as reported in *The Wall Street Journal* (Northeast edition) or, if not reported thereby, another authoritative source) for 20 full trading days ending on the fifth business day prior to the closing date of the merger.

**The value of the B. Riley common shares to be received by FBR shareholders in the merger may vary from the value as of the date B. Riley and FBR announced the merger, the date that this joint proxy statement/prospectus was mailed to FBR shareholders, and the date of the meeting of FBR shareholders. Any change in the market price of B. Riley common shares prior to completion of the merger will affect the value of the merger consideration that FBR shareholders will receive upon completion of the merger. Accordingly, at the time of the FBR special meeting, FBR shareholders will not know or be able to calculate the value of the per share consideration they would receive upon completion of the merger. B. Riley common shares are traded on Nasdaq under the trading symbol **RILY** and we encourage you to obtain quotes for B. Riley common shares, given that part of the merger consideration is payable in B. Riley common shares.**

***Pre-Closing Dividend***

The merger agreement provides that prior to the closing, but not earlier than the 15th day prior to the anticipated closing, the FBR board of directors may declare and cause FBR to pay a cash dividend of up to and including \$8.50 per FBR common share to the FBR shareholders if, after giving effect to such pre-closing dividend, FBR will have remaining at least \$33,500,000 in cash and cash equivalents and certain financial instruments (subject to certain adjustments), plus any amounts necessary to pay any accrued transaction expenses, which we refer to as the minimum cash and financial instrument amount. The per share amount of the pre-closing dividend may be increased if cash and cash equivalents and certain financial instruments (subject to certain adjustments) are in excess of \$5,000,000 above

the minimum cash and financial instrument amount. For additional information on the availability and size of the pre-closing dividend, see The Merger Agreement Pre-Closing Dividend.

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**Background of the Merger**

The FBR board of directors reviews, with management, its business strategies, opportunities and challenges as part of its consideration and evaluation of its long-term prospects in light of developments in its business, in the sectors in which it competes, in the economy generally and in financial markets, with the goal of enhancing value for its shareholders. The senior management of FBR has also at times presented and discussed with the FBR board of directors or individual board members various potential strategic alternatives involving possible acquisitions or business combinations that could complement and enhance the competitive strengths and strategic positions of FBR. From time to time, FBR has had discussions about these matters with its outside advisors, including Berkshire Capital. These discussions have included a review of investment banking and institutional brokerage markets, as well as industry trends and developments in mergers and acquisitions and the regulatory environment.

In the second half of 2016, FBR began to evaluate potential strategic opportunities. FBR retained Berkshire Capital to act as its financial advisor in connection with an exploration of possible strategic opportunities based on, among other factors, Berkshire Capital's reputation, experience in mergers and acquisitions, valuations, financing and capital markets and its familiarity with FBR, FBR's strategic goals and the industries in which FBR competes. After a discussion and review of potential strategic opportunities with representatives of Berkshire Capital, FBR entered into confidentiality agreements, including a confidentiality agreement, dated as of September 29, 2016, between FBR and B. Riley, with a number of industry participants to discuss various potential strategic opportunities and engaged in informal discussions about potential strategic opportunities with various industry participants. Representatives of FBR also met with representatives of several industry participants, including B. Riley, and provided financial due diligence information with respect to FBR. During this period, management of B. Riley would periodically update the B. Riley board of directors as to its due diligence with respect to FBR. The discussions with B. Riley did not progress further, however, until January 2017.

As a result of the exploration of strategic opportunities, in late 2016, the FBR board of directors and FBR's senior managers began discussing a potential strategic acquisition of another industry participant. In December 2016 through the beginning of January 2017, representatives of FBR and the industry participant began negotiating terms under which FBR would acquire the other industry participant.

In the middle of January 2017, representatives of B. Riley informed representatives of FBR that it would be interested in meeting again. Representatives of B. Riley and FBR met in early February 2017 and discussed the possibility of executing a strategic combination between B. Riley and FBR. Following these discussions, FBR and B. Riley exchanged information about their respective businesses.

On February 6, 2017, Mr. Riley, the Chief Executive Officer of B. Riley and Chairman of the B. Riley board of directors, sent Mr. Hendrix, the Chief Executive Officer of FBR and Chairman of the FBR board of directors, an informal note outlining B. Riley's interest in a strategic combination with FBR. The note, among other matters, proposed an acquisition of 100% of the FBR common shares and other equity interests for \$140 million, which would consist of \$80.5 million of B. Riley common shares and a \$59.5 million pre-closing cash dividend. Mr. Riley and Mr. Hendrix discussed the proposal.

On February 8, 2017, Mr. Riley sent Mr. Hendrix a letter outlining B. Riley's revised proposal. The letter, among other matters, proposed an acquisition of 100% of FBR common shares and other equity interests for \$148 million, which would consist of \$90 million of B. Riley common shares and a \$58 million pre-closing cash dividend.

On February 9, 2017, the FBR board of directors reviewed B. Riley's proposal with management of FBR and representatives of Wachtell, Lipton, Rosen & Katz, which we refer to as Wachtell Lipton, and Berkshire Capital.

Representatives of Wachtell Lipton reviewed with the FBR board of directors the applicable legal

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standards in connection with a possible transaction. As part of those discussions, representatives of Berkshire Capital discussed the operating environment faced by FBR and similarly situated financial institutions as well as the potential benefits associated with a potential acquisition versus FBR's current standalone strategic plan. The FBR board of directors then authorized management and representatives from Wachtell Lipton and Berkshire Capital to discuss a potential transaction with B. Riley and to continue working on the potential acquisition of the other industry participant.

Over the next few days, senior management of B. Riley and FBR met in-person to discuss B. Riley's proposal in more detail. Over the course of the next week, FBR and B. Riley continued to undertake their respective due diligence investigations of the other party's business. Each party made available to the other party certain due diligence materials and participated in due diligence meetings. B. Riley's outside legal advisor, Sullivan and Cromwell LLP, which we refer to as Sullivan & Cromwell, also sent Wachtell Lipton an initial draft merger agreement for the proposed transaction.

On February 13, 2017, at a special meeting of the FBR board of directors, senior management provided an update on the discussions that it had with senior management of B. Riley and the negotiations with respect to the potential acquisition of another industry participant. Representatives of Wachtell Lipton provided an overview of the material terms of the draft merger agreement for the proposed transaction with B. Riley. The FBR board of directors evaluated the potential risks and benefits of a potential acquisition of the other industry participant and the strategic combination with B. Riley. The FBR board of directors instructed management and its advisors to continue exploring both potential strategic transactions.

On February 14, 2017, at a special meeting of the FBR board of directors, representatives of FBR outlined B. Riley's current proposal, which was an acquisition of FBR for approximately \$20.00 per FBR common share, consisting of \$11.50 of B. Riley common shares based on an exchange ratio to be fixed at signing and an anticipated pre-closing cash dividend of \$8.50 per FBR common share, with the potential for the pre-closing dividend to be increased based on the value of cash and certain financial instruments on FBR's balance sheet at closing. See *The Merger Agreement Pre-Closing Dividend*. Representatives of Wachtell Lipton updated the FBR board of directors with respect to the negotiations of the draft merger agreement and discussed the proposed voting agreements. Representatives of Berkshire Capital discussed the potential alternatives that FBR had explored, financial aspects of the proposed combination transaction with B. Riley and other financial due diligence. In the course of its discussions, the FBR board of directors also considered other potential strategic partners identified by Berkshire Capital and the results of the due diligence efforts undertaken on B. Riley. Based on all of these considerations, the FBR board of directors directed management and its advisors to work toward finalizing a transaction with B. Riley, subject to final approval by the FBR board of directors, in view of the substantial benefits and synergies potentially available for the combined company.

Also during this time period, Wachtell Lipton exchanged drafts of the merger agreement with Sullivan & Cromwell in order to finalize the terms and conditions of the transaction, while representatives of FBR and B. Riley continued to undertake their respective due diligence efforts. Senior management of FBR and B. Riley also continued to discuss the potential benefits of and related matters regarding the combination transaction.

On February 17, 2017, the FBR board of directors held a special meeting, which was attended by senior management and representatives of Berkshire Capital and Wachtell Lipton. FBR's senior management discussed with the FBR board of directors the terms of B. Riley's final proposal and noted that B. Riley was prepared to execute the transaction on the terms described to the FBR board of directors, subject to Mr. Hendrix entering into an employment agreement with B. Riley concurrently with the signing of the other transaction documents. B. Riley had confirmed that it was prepared to acquire FBR for approximately \$20.16 per FBR common share (based on the closing price of B. Riley



common shares on February 16, 2017 and an estimated exchange ratio of 0.672), which would consist of approximately \$11.66 of B. Riley common shares based on an exchange ratio fixed at signing and an anticipated pre-closing cash dividend of \$8.50 per FBR common share. Representatives from Wachtell Lipton also reviewed with the FBR board of directors the legal principles and standards applicable

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to its consideration of the proposed transactions, the proposed merger agreement as well as the proposed post-merger arrangements between Mr. Hendrix and B. Riley, and the conduct of the process that the FBR board of directors had undertaken to date. Representatives of Wachtell Lipton also summarized the proposed merger agreement, voting agreements (including the obligations of the directors and senior management thereunder) and the employment agreement, and responded to questions from the FBR board of directors with respect to these transaction documents and the structure of the transaction.

The FBR board of directors then reviewed with the representatives of Berkshire Capital the financial aspects of the potential combination transaction and valuation information, as more fully described below in *The Merger Opinion of FBR's Financial Advisor*, including the market history and liquidity of FBR common shares and B. Riley common shares. An extensive discussion about the potential combination transaction then ensued among the FBR board of directors. During the course of that discussion, the FBR board of directors received input from Wachtell Lipton, Berkshire Capital and FBR management on various aspects of the proposed combination transaction and engaged in a lengthy discussion with respect to the risks and benefits of B. Riley's proposal compared to FBR's standalone strategy and the structure of the transaction consideration. Following that discussion, representatives of Berkshire Capital rendered its oral opinion, which was confirmed by delivery of a written opinion dated February 17, 2017, to the effect that, as of that date and based on and subject to various assumptions and limitations described in its opinion, the merger consideration and the pre-closing dividend provided for in the merger was fair, from a financial point of view, to FBR shareholders, as more fully described below under the heading *The Merger Opinion of FBR's Financial Advisor*.

Following these discussions, and review and discussion among the members of the FBR board of directors, including consideration of the factors described under *The Merger Recommendations of the FBR Board of Directors and Reasons for the Merger*, the FBR board of directors determined that the original merger agreement and the transactions contemplated by the original merger agreement were advisable and in the best interest of FBR and its shareholders and voted unanimously to approve the original merger agreement and the transactions contemplated by the original merger agreement.

On February 16, 2017, the B. Riley board of directors held a special meeting, which was attended by senior management. B. Riley's senior management discussed with the B. Riley board of directors the terms of the original merger agreement, including preserving the potential to amend the original merger agreement to have FBR merge into a wholly owned subsidiary of B. Riley instead of directly into B. Riley. An extensive discussion about the proposed combination transaction then ensued among the B. Riley board of directors. During the course of that discussion, the B. Riley board of directors received input from B. Riley management on various aspects of the proposed combination transaction and engaged in a lengthy discussion with respect to the risks and benefits of the proposed combination transaction. During the meeting, Mr. Hendrix joined to discuss with the B. Riley board of directors FBR and its business. Following these discussions, and review and discussion among the members of the B. Riley board of directors, including consideration of the factors described under *The Merger Recommendations of the B. Riley Board of Directors and Reasons for the Merger*, the B. Riley board of directors unanimously determined that the original merger agreement and the transactions contemplated by the original merger agreement were fair to, and in the best interests of, B. Riley and the B. Riley stockholders, approved and declared advisable the original merger agreement and the transactions contemplated by the original merger agreement, and resolved to recommend the issuance of B. Riley common shares required to be issued pursuant to the original merger agreement to FBR shareholders.

On the evening of February 17, 2017, the exchange ratio was fixed at 0.671, which, along with the anticipated pre-closing dividend of \$8.50 per share, at that time represented total consideration of \$20.28 per FBR common share (based on the closing price of B. Riley common shares on February 17, 2017). Representatives of Wachtell Lipton and Sullivan & Cromwell also finalized the terms of the original merger agreement, which FBR and B. Riley executed. On

the morning of February 21, 2017, FBR and B. Riley issued a joint press release announcing the execution of the original merger agreement.

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In early March, representatives of FBR and B. Riley agreed to amend the transaction structure of the original merger agreement in the manner contemplated by the original merger agreement: instead of merging FBR directly into B. Riley, with B. Riley surviving the merger, FBR would merge into merger sub, with merger sub surviving the merger. On March 13, 2017, the members of the FBR board of directors determined, including for the reasons described under **The Merger Recommendations of the FBR Board of Directors and Reasons for the Merger**, that the merger agreement and the transactions contemplated by the merger agreement, including the merger, were advisable and in the best interest of FBR and its shareholders and unanimously approved the merger agreement and the transactions contemplated by the merger agreement, including the merger. The amended and restated merger agreement was then executed on March 15, 2017, effective as of February 17, 2017.

### **Recommendations of the FBR Board of Directors and Reasons for the Merger**

After careful consideration, the FBR board of directors determined that the merger, the merger agreement and the other transactions contemplated thereby are in the best interests of FBR and the FBR shareholders and approved and declared advisable the merger agreement and the transactions contemplated therein, including the merger, and recommends that FBR's shareholders vote **FOR** the FBR merger proposal, **FOR** the merger-related named executive officer compensation proposal and **FOR** the FBR adjournment proposal. In reaching its decision to approve the merger agreement and the merger and recommendation that the FBR shareholders approve the FBR merger proposal, the FBR board of directors consulted with FBR's management, as well as its financial and legal advisors, and considered a number of factors, including the following material factors:

FBR's historical and current financial performance and results of operations, FBR's prospects and long-term strategy, FBR's competitive position and general economic and stock market conditions;

its knowledge of FBR's business, financial condition, results of operations, industry, competitors and prospects as a standalone company;

its understanding of the current and prospective environment in which FBR and B. Riley operate, including national and local economic conditions, the interest rate environment, increasing operating costs resulting from regulatory initiatives and compliance mandates, the competitive environment for financial institutions generally, and the likely effect of these factors on FBR both with and without the proposed transaction;

the financial terms of the transaction, including the fact that, based on the closing price on the Nasdaq of B. Riley common shares on February 17, 2017 (the last trading day prior to the execution and announcement of the merger agreement), the transaction consideration represented an approximate 21% premium over the closing price of FBR common shares on February 17, 2017;

the anticipated pro forma impact of the merger on the combined company, including the expected realizable revenues and cost synergies;

the expectation that the transactions will enhance both FBR's and B. Riley's liquidity, scale and overall financial strength;

each of FBR's, B. Riley's and the combined company's business, operations, financial condition, asset quality, earnings and prospects;

the nature of FBR's and B. Riley's businesses and operations that would result in a combined company with a more diversified business mix, high-revenue streams, potentially lower volatility of earnings and new revenue opportunities;

the ability of FBR to continue to grow its investment banking and institutional brokerage business as part of a larger, more diversified organization;

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the expanded opportunities for the combined company, including organic growth and future acquisitions, that would be available to the combined company, given its larger size, asset base, capital and footprint;

the strong cultural fit of two entrepreneurial financial services firms;

the transaction consideration to be received by the FBR shareholders, which provides FBR shareholders with the opportunity to continue to participate in the future success of the combined company;

the anticipated continued participation of certain of FBR's directors, officers and employees in the combined brokerage business, which enhances the likelihood that the strategic benefits that FBR expects to achieve as a result of the merger will be realized and that the benefits and talents that FBR brings to the combined brokerage business will be appropriately valued and effectively utilized;

its consideration that the transaction with B. Riley was more favorable to FBR shareholders than the potential value that might result from other alternatives reasonably available to FBR, including, but not limited to, acquisitions of or by other industry participants, the attractiveness and strategic fit of B. Riley as a potential merger partner, and the likelihood of an alternative transaction emerging;

the FBR board of directors' belief that the transaction is likely to provide substantial value to FBR's shareholders;

the fact that concurrently with the execution of the merger agreement, holders in the aggregate of approximately 28.2% and 18.8% of the outstanding B. Riley common shares and FBR common shares, respectively, agreed pursuant to separate voting agreements to, among other things, vote their respective shares in favor of the merger;

the expectation that the merger will be generally tax-free for United States federal income tax purposes to FBR's shareholders;

the written opinion of Berkshire Capital, dated as of February 17, 2017, delivered to the FBR board of directors to the effect that, as of that date, and subject to and based on the various assumptions, considerations, qualifications and limitations set forth in the opinion, the transaction consideration was fair, from a financial point of view, to the FBR shareholders;

the fact that the exchange ratio is fixed, which the FBR board of directors believed was consistent with market practice for transactions of this type and with the strategic purpose of the transaction;

the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating FBR's business, operations and workforce with those of B. Riley;

the transaction-related costs;

the nature and amount of payments to be received by FBR's management in connection with the merger;

the minimum cash and financial instrument amount condition required in order to declare the pre-closing dividend;

the deal protection provisions, including the \$5 million termination fee that could become payable by FBR in certain circumstances;

the potential risk of diverting management attention and resources from the operation of FBR's business and toward the completion of the merger; and

the regulatory and other approvals required in connection with the merger and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions.

The foregoing discussion of the information and factors considered by the FBR board of directors is not intended to be exhaustive, but includes the material factors considered by the FBR board of directors. In reaching

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its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, the FBR board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The FBR board of directors considered all these factors as a whole, including discussions with, and questioning of, FBR management and FBR's independent financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

**FBR's Unaudited Prospective Financial Information**

FBR does not as a matter of course make public projections as to future performance, revenues, earnings or other financial results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, FBR is including in this joint proxy statement/prospectus certain unaudited prospective financial information that was made available to FBR's financial advisor and to B. Riley in connection with the merger. The inclusion of this information should not be regarded as an indication that any of FBR, B. Riley, Berkshire Capital, their respective representatives or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results, or that it should be construed as financial guidance, and it should not be relied on as such.

FBR's management approved the use of the following unaudited prospective financial information. This information was prepared solely for internal use and is subjective in many respects. While presented with numeric specificity, the unaudited prospective financial information reflects numerous estimates and assumptions made with respect to business, economic, market, competition, regulatory and financial conditions and matters specific to FBR's business, all of which are difficult to predict and many of which are beyond FBR's control. The unaudited prospective financial information reflects both assumptions as to certain business decisions that are subject to change and, in many respects, subjective judgment, and thus is susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. FBR can give no assurance that the unaudited prospective financial information and the underlying estimates and assumptions will be realized. In addition, since the unaudited prospective financial information covers multiple years, such information by its nature becomes less predictive with each successive year. Actual results may differ materially from those set forth below, and important factors that may affect actual results and cause the unaudited prospective financial information to be inaccurate include, but are not limited to, risks and uncertainties relating to FBR's business, industry performance, general business and economic conditions, customer requirements, competition and adverse changes in applicable laws, regulations or rules. See **Risk Factors** and **Cautionary Note Regarding Forward-Looking Statements** for other factors that could cause actual results to differ.

The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither FBR's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

Furthermore, the unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared. FBR can give no assurance that, had the unaudited prospective financial information been prepared either as of the date of the merger agreement or as of the date of this joint proxy statement/prospectus, similar estimates and assumptions would be used. FBR does not intend to, and disclaims any obligation to, make publicly available any update or other revision to the unaudited prospective financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error, or to reflect changes in general economic



or industry conditions. The unaudited prospective financial information does not take into account the possible financial and other effects on FBR of the merger and does not attempt to predict or suggest future results of the combined company. The unaudited prospective financial information does not give effect to the merger, including the effect of negotiating or executing the merger agreement, the expenses

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that may be incurred in connection with consummating the merger, the potential synergies that may be achieved by the combined company as a result of the merger, the effect on FBR of any business or strategic decision or action that has been or will be taken as a result of the merger agreement having been executed, or the effect of any business or strategic decisions or actions which would likely have been taken if the merger agreement had not been executed, but which were instead altered, accelerated, postponed or not taken in anticipation of the merger. Further, the unaudited prospective financial information does not take into account the effect on FBR of any possible failure of the merger to occur. None of FBR, B. Riley, Berkshire Capital or their respective affiliates, officers, directors, advisors or other representatives has made, makes or is authorized in the future to make any representation to any FBR shareholder or other person regarding FBR's ultimate performance compared to the information contained in the unaudited prospective financial information or that the forecasted results will be achieved. The inclusion of the unaudited prospective financial information herein should not be deemed an admission or representation by FBR, B. Riley, Berkshire Capital or any other person that it is viewed as material information of FBR, particularly in light of the inherent risks and uncertainties associated with such forecasts. The summary of the unaudited prospective financial information included below is not being included to influence your decision whether to vote in favor of the merger proposal or any other proposal to be considered at the FBR special meeting, but is being provided solely because it was made available to FBR's financial advisor in connection with the merger and to B. Riley in connection with B. Riley's due diligence of FBR.

In light of the foregoing, and considering that the FBR special meeting will be held months after the unaudited prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, FBR shareholders are cautioned not to place unwarranted reliance on such information, and FBR urges all FBR shareholders to review FBR's most recent SEC filings for a description of FBR's reported financial results. See [Where You Can Find More Information](#).

The following table presents certain unaudited prospective financial data for the quarter ending March 31, 2017 and the fiscal year ending December 31, 2017. This unaudited prospective financial data was provided to Berkshire Capital and B. Riley, was discussed by representatives of FBR and B. Riley and used by Berkshire Capital in connection with its fairness opinion to the FBR board of directors.

	<b>Year Ending December 31, 2017</b>	
	<b>(\$ in millions, except per share amount)</b>	
Adjusted Earnings Per Share (1)	\$	0.69
Adjusted Net Income to Common Shareholders (1)		5.0
Total Revenue		135.3
Operating Expenses		126.9
Pre-Tax Operating Income		8.4
		<b>March 31, 2017</b>
		<b>(\$ in millions)</b>
Total Assets	\$	1,028.1
Tangible Book Value		114.9

(1) Adjusted based on a 40% tax rate on pre-tax operating income.

**Opinion of FBR's Financial Advisor**

FBR retained Berkshire Capital to act as financial advisor to FBR in connection with a possible business combination transaction or a possible acquisition transaction. Berkshire Capital is an internationally recognized investment banking firm. In the ordinary course of its investment banking business, Berkshire Capital is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. FBR selected Berkshire Capital to act as FBR's advisor in connection with a possible business combination based on its qualifications, expertise, reputation and experience in mergers and acquisitions involving financial institutions.

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Berkshire Capital acted as financial advisor to FBR in connection with the transactions contemplated by the merger agreement, including the merger, and participated in certain of the negotiations leading to the execution of the merger agreement. At the February 17, 2017 special meeting of the FBR board of directors, Berkshire Capital delivered to FBR its oral opinion, which was subsequently confirmed in writing, that, as of February 17, 2017, the transaction consideration was fair, from a financial point of view, to the FBR shareholders (other than FBR, B. Riley and their respective direct and indirect wholly owned subsidiaries). **The full text of Berkshire Capital's opinion is attached as Appendix D to this joint proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the scope of the review undertaken by Berkshire Capital in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. FBR shareholders are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

Berkshire Capital's opinion speaks only as of the date of the opinion. The opinion was directed to the FBR board of directors and is directed only to the fairness, from a financial point of view, of the transaction consideration to the FBR shareholders (other than FBR, B. Riley and their respective direct and indirect wholly owned subsidiaries). It does not address the underlying business decision of FBR to engage in the merger or any other aspect of the merger and is not a recommendation to any FBR shareholder as to how such FBR shareholder should vote at the special meeting with respect to the merger or any other matter.

In connection with rendering its opinion on February 17, 2017, Berkshire Capital, among other things:

reviewed the draft of the merger agreement dated February 16, 2017;

reviewed certain publicly available business and financial information relating to FBR and B. Riley;

reviewed certain internal financial and operating information with respect to the past and current business, operations, financial condition and prospects of FBR furnished to or discussed with Berkshire Capital by the management of FBR, including certain financial forecasts relating to FBR prepared by the management of FBR, which we refer to as the FBR forecasts;

reviewed certain internal financial and operating information with respect to the past and current business, operations, financial condition and prospects of B. Riley furnished to or discussed with Berkshire Capital by the management of B. Riley, including certain financial forecasts relating to B. Riley prepared by the management of B. Riley, which we refer to as the B. Riley forecasts;

reviewed the impact of the merger on the pro forma forecasted earnings per share of B. Riley based on the B. Riley forecasts, the FBR forecasts and certain estimated cost savings provided by management of FBR, which we refer to as the cost savings;

reviewed the reported price and trading activity of FBR common shares and B. Riley common shares;

compared FBR's and B. Riley's results of operations, financial condition and historical information regarding the trading and price of FBR common shares and B. Riley common shares with those of selected publicly traded securities companies that Berkshire Capital deemed relevant;

compared the transaction consideration with the current market valuations of the common stock of selected publicly traded securities companies that Berkshire Capital deemed relevant;

compared the transaction consideration with the financial terms of certain precedent mergers and acquisitions of securities companies that Berkshire Capital deemed relevant; and

performed such other financial studies, analyses and investigations, and considered such other factors, as Berkshire Capital deemed appropriate.

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In addition, Berkshire Capital reviewed the impact of the merger on the pro forma tangible book value per share of B. Riley, using forecasted balance sheet information for FBR as of March 31, 2017 provided to Berkshire Capital by FBR and unaudited balance sheet information for B. Riley as of December 31, 2016 provided to Berkshire Capital by B. Riley.

In preparing its opinion, with FBR's consent, Berkshire Capital did not assume any responsibility for independent verification of, and did not verify, any of the foregoing information. Berkshire Capital, with FBR's consent, assumed and relied upon the accuracy and completeness, in all material respects, of all of the financial, accounting, legal, tax and other information provided to, discussed with or reviewed by Berkshire Capital. Berkshire Capital was not requested to make, and did not make, an independent evaluation or appraisal of any assets or liabilities (contingent or otherwise) of FBR or B. Riley or any of their respective affiliates, and was not furnished with any such evaluation or appraisal, nor did Berkshire Capital make any physical inspection of the properties or assets of FBR or B. Riley. Further, Berkshire Capital assumed, with FBR's consent, that all of the information prepared by the managements of FBR and B. Riley provided for purposes of its opinion, including the FBR forecasts, the B. Riley forecasts and the cost savings, was prepared on a reasonable basis reflecting the best currently available estimates and judgments of the respective managements of FBR and B. Riley as to the expected future financial performance of FBR and B. Riley. Berkshire Capital expresses no opinion with respect to such forecasts or projections or the assumptions upon which they are based. Berkshire Capital assumed that FBR and B. Riley will realize the benefits that each expects to realize from the merger.

Berkshire Capital did not undertake any independent legal analysis of the merger, any related transactions, the merger agreement, the transactions contemplated thereby or any legal or regulatory proceedings pending or threatened related to FBR or B. Riley. Berkshire Capital was not asked to, and did not, express any opinion as to the after-tax consequences of receipt of the transaction consideration to the FBR shareholders. Berkshire Capital did not provide any opinion, counsel or interpretation regarding matters that require legal, regulatory, accounting, tax, executive compensation or other similar professional advice. Berkshire Capital assumed that such opinions, counsel, interpretations or advice have been or would be obtained from the appropriate professional advisers. Berkshire Capital also assumed that the executed merger agreement would conform in all material respects to the draft merger agreement reviewed by Berkshire Capital, and that the merger and the pre-closing dividend would be consummated on the terms described in the draft merger agreement, without any material delay or waiver of any material terms or conditions by FBR or B. Riley. Berkshire Capital assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on FBR or B. Riley or on the expected benefits of the merger in any way meaningful to its analysis.

Berkshire Capital's opinion was necessarily based on economic, market and other conditions that existed on, and the information made available to Berkshire Capital as of, the date of its opinion. Events occurring after the date of the original merger agreement could materially affect Berkshire Capital's opinion. Berkshire Capital has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date of its opinion.

Berkshire Capital's opinion does not address or make any recommendation as to the merits of the underlying decision by FBR to engage in the transaction contemplated by the merger agreement or the relative merits of the transactions as compared to other business strategies that might be available to FBR. Berkshire Capital expressed no opinion as to whether any alternative transaction may result in terms and conditions more favorable to FBR or its shareholders than those contemplated by the merger agreement. In addition, Berkshire Capital's opinion did not in any manner address the prices at which B. Riley common shares will trade following consummation of the merger or the prices at which FBR common shares and B. Riley common shares will trade at any time and Berkshire Capital expressed no opinion or recommendation as to how the FBR shareholders should vote or act with respect to the merger. Berkshire Capital

did not express any opinion regarding the fairness of the amount or nature of any compensation to any of FBR's officers, directors or employees, or any class of such persons, relative to the transaction consideration to be received by the FBR shareholders. Berkshire Capital did not express any opinion as to the fairness of any consideration paid in connection with the merger to the holders of any other class of securities, creditors or other constituencies of FBR.

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In rendering its February 17, 2017 opinion, Berkshire Capital performed a variety of financial analyses. The following is a summary of the material analyses performed by Berkshire Capital, but does not purport to be a complete description of all the analyses underlying Berkshire Capital's opinion. The summary includes information presented in tabular format. In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses. The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Berkshire Capital believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion.

**Transaction Multiples**

Based on the terms described to Berkshire Capital and the draft merger agreement reviewed by Berkshire Capital on February 16, 2017, FBR shareholders would have the right to receive consideration per share consisting of (i) pre-closing dividend estimated to be \$8.50 per share and (ii) 0.672 B. Riley common shares. Based upon the \$17.35 closing price for B. Riley common shares on February 16, 2017, the last full trading day before B. Riley and FBR entered into the original merger agreement, Berkshire Capital calculated a transaction consideration value of \$20.16 per FBR common share. Based upon 7,895,386 common shares outstanding, Berkshire Capital calculated an aggregate transaction value of \$159.2 million. For purposes of this analysis, enterprise value is defined as market value plus long-term debt, preferred stock and noncontrolling interest, less cash and cash equivalents. Market value is defined as market capitalization plus noncontrolling interest. Market capitalization is based on 7,895,386 FBR common shares outstanding, as provided by FBR. The FBR multiples based on 2016 pre-tax income presented in the following chart are not meaningful due to FBR's reported operating loss for the year. The multiple of market value to tangible book value, or TBV, is based on the estimated FBR consolidated balance sheet as of March 31, 2017 provided by FBR. Berkshire Capital calculated the following transaction ratios:

	<b>Trading Multiples For FBR Based on Closing Stock Price on February 16, 2017</b>	<b>Implied Multiples</b>	
		<b>Based on Merger Consideration</b>	<b>Based on Transaction Consideration</b>
<b><u>Enterprise value as a Multiple of</u></b>			
<b><u>Revenues:</u></b>			
Unaudited Fiscal Year 2016	0.5x	0.7x	0.7x
Estimated Fiscal Year 2017	0.3x	0.5x	0.5x
<b><u>Market Value as a Multiple of</u></b>			
<b><u>Revenues:</u></b>			
Unaudited Fiscal Year 2016	1.4x	0.9x	1.6x
Estimated Fiscal Year 2017	1.0x	0.7x	1.2x
<b><u>Market Value as a Multiple</u></b>			
<b><u>Pre-Tax Income:</u></b>			
Unaudited Adjusted Fiscal Year 2016	NM	NM	NM



Estimated Fiscal Year 2017	13.8x	11.0x	18.9x
<b><u>Market Value as a Multiple of Tangible Book Value:</u></b>			
Estimated March 31, 2017 (Post-Dividend)	NA	1.9x	NA
Estimated March 31, 2017 (Pre-Dividend)	1.2x	NA	1.4x

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**Table of Contents*****Contribution Analysis***

Berkshire Capital analyzed the relative contribution of each of FBR and B. Riley to the pro forma combined 2016 and projected 2017 revenues, operating income, book value and tangible book value, in each case after giving effect to the pre-closing dividend and before giving effect to any transaction accounting adjustments and cost savings, and compared the relative contribution to the allocation of the pre-closing dividend and the relative ownership of the combined company. For purposes of this analysis, (i) FBR operating expenses excluded certain non-recurring expenses, as provided by FBR; (ii) estimated fiscal year 2017 revenues and operating income for FBR and B. Riley were based on the FBR forecasts and the B. Riley forecasts; (iii) the balance sheet contribution analysis was based on the unaudited B. Riley consolidated balance sheet as of December 31, 2016 as provided by B. Riley to Berkshire Capital and the estimated FBR consolidated balance sheet as of March 31, 2017, after giving effect to the estimated \$8.50 per share pre-closing dividend to be paid as part of the transaction consideration, as provided by FBR to Berkshire Capital; (iv) post-closing ownership was based on an assumed 0.672 exchange ratio, which was the exchange ratio contained in the draft merger agreement reviewed by Berkshire Capital on February 16, 2017; (v) no vesting of transaction-related employee RSUs, and; (vi) 19,500,000 B. Riley common shares outstanding.

	<b>Contribution Analysis</b>	
	<b>FBR</b>	<b>B. Riley</b>
Unaudited Fiscal Year 2016 Revenues	34.1%	65.9%
Unaudited Fiscal Year 2016 Operating Expenses	46.3%	53.7%
Estimated Fiscal Year 2017 Revenues	41.4%	58.6%
Estimated Fiscal Year 2017 Operating Expenses	46.2%	53.8%
Estimated Fiscal Year 2017 Operating Income	15.9%	84.1%
Book Value (Post-Dividend)	25.6%	74.4%
Tangible Book Value (Post-Dividend)	46.9%	53.1%
Pre-Closing Dividend	100.0%	
Ownership	21.4%	78.6%

**Table of Contents*****Analysis of Precedent Transactions***

Berkshire Capital calculated and compared valuation multiples implied by the transaction consideration to those of selected precedent mergers and acquisitions for which information was publicly available that Berkshire Capital, based on its professional judgment and experience as a financial advisor, deemed appropriate for purposes of this analysis. The selected mergers and acquisitions included 12 transactions announced between April 26, 2010 and February 10, 2015. Although none of the target companies included in Berkshire Capital's analysis is identical or directly comparable to FBR, the selected transactions were chosen because they included target companies with certain operational and financial characteristics which, for purposes of this analysis, may be considered similar to certain operational or financial characteristics of FBR. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics, the terms of the transactions and other factors that could affect the acquisition values of the companies to which FBR was compared. The group included the following transactions:

<b>Target</b>	<b>Acquiror</b>
Thomas Weisel Partners Group, Inc.	Stifel Financial Corp.
JVB Financial Holdings, LLC	Cohen & Company Inc.
Miller Tabak & Co. LLC; MTR Capital Corp.	GMP Capital Inc.
PrinceRidge Holdings LP	Institutional Financial Markets, Inc.
Morgan Keegan & Co.	Raymond James Financial
KBW, Inc.	Stifel Financial Corp.
Jefferies Group, Inc.	Leucadia National Corporation
Duff & Phelps Corporation	Investor Consortium
Seattle-Northwest Securities Corporation	Piper Jaffray Companies
B. Riley & Co., LLC	Great American Group, Inc.
G.X. Clarke & Co.	INTL FCStone Inc.
Cogent Partners, LP	Greenhill & Co., Inc.

Berkshire Capital reviewed the following multiples for each of the transactions: transaction value to last twelve months, or LTM, revenues and transaction value to LTM pre-tax income. Precedent transaction multiples implied by forecasted pre-tax income have been excluded as pre-tax income forecasts were not generally available for the target companies. Berkshire Capital compared the multiples implied by FBR's current market value, the merger consideration and the transaction consideration to the minimum, median and maximum multiples of the precedent transactions. Where applicable, earn-out payments are included at the maximum potential value and discounted to present value using a 10% discount rate. The results of these analyses are summarized in the following table.

	<b>Trading Multiples For FBR Based on Closing Stock Price on February 16, 2017</b>	<b>Implied Multiples</b>			<b>Implied Multiples of Precedent Transaction</b>		
	<b>Based on Management Consideration</b>	<b>Based on Transaction Consideration</b>		<b>Minimum</b>	<b>Median</b>	<b>Maximum</b>	
		<b>Based on Management Consideration</b>	<b>Based on Transaction Consideration</b>				
Market Value as a Multiple of LTM Revenues	1.4x	0.9x	1.6x	0.6x	1.3x	2.5x	

Market Value as a Multiple of LTM Pre-Tax Income	NM	NM	NM	6.9x	10.8x	14.4x
Market Value as a Multiple of Estimated Fiscal Year 2017 Pre-Tax Income	15.8x	11.0x	18.9x	NA	NA	NA

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***Guideline Public Companies Analysis***

Berkshire Capital reviewed, calculated and compared selected financial information, ratios and multiples for FBR and B. Riley with the corresponding financial information, ratios and multiples of a group of publicly-traded mid-size investment banks and specialized advisory investment banks that Berkshire Capital, based on its professional judgment and experience as a financial advisor, deemed appropriate for purposes of this analysis. Although none of the selected publicly-traded companies is identical and directly comparable to FBR or B. Riley, the companies included in the analysis were chosen because they are companies with certain operational and financial characteristics which, for purposes of analysis, may be considered similar to certain operational or financial characteristics of FBR and B. Riley. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Berkshire Capital also made qualitative judgments concerning differences in the business, financial and operating characteristics and prospects of FBR and B. Riley, on the one hand, and the selected companies, on the other hand, that could affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. The selected publicly-traded companies included:

The following financial institutions were selected for the comparison:

Cowen Group, Inc.

Evercore Partners Inc.

Greenhill & Co., Inc.

Houlihan Lokey, Inc.

JMP Group LLC

Ladenburg Thalmann Financial Services Inc.

Lazard Ltd.

Moelis & Company

Oppenheimer Holdings Inc.

Piper Jaffray Companies

PJT Partners, Inc.

Raymond James Financial, Inc.

Stifel Financial Corp.

For each of the selected companies, Berkshire Capital calculated and reviewed, based on the most recent publicly available financial information as of February 17, 2017, the ratio of enterprise value to LTM revenues; enterprise value to consensus estimated 2017 revenues as published by equity research analysts; market value to LTM pre-tax income; market value to consensus estimated 2017 pre-tax income published by equity research analysts, and; market value as a multiple of tangible book value. Berkshire Capital obtained consensus revenue and pre-tax income estimates for the selected public companies from S&P Global. For purposes of this analysis, forecast fiscal year 2017 revenues and pre-tax income for FBR and B. Riley were based on the FBR forecasts and the B. Riley forecasts. The analysis compared the minimum, median and maximum multiples for the selected public companies to (i) the corresponding multiples for FBR and B. Riley based on their respective stock prices as of February 16, 2017; (ii) the multiples implied by the merger consideration, and; (iii) the multiples implied by the transaction consideration. For purposes of this analysis: (i) enterprise value is defined as market capitalization plus long-term debt, preferred equity, and noncontrolling interest, less cash and cash equivalents; (ii) market capitalization is based on the weighted average diluted shares outstanding for the most recent quarter, other than for FBR and B. Riley, the market capitalizations for which are based on 7,895,386 and 19,500,000 common shares outstanding, respectively, and; (iii) market value is defined as market capitalization plus noncontrolling interest.

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The FBR multiples implied by 2016 pre-tax income are not meaningful due to FBR's reported operating loss for the year. The results of this analysis are summarized in the following tables.

	Trading Multiples For FBR Based on		Implied Multiples Based on			
	Closing Stock  Price on February 16, 2017	Based on Merger Consideration	Transaction Consideration	Implied Multiples of Guideline Public Companies		
				Minimum	Median	Maximum
Enterprise Value as a Multiple of LTM Revenues	0.5x	0.7x	0.7x	0.3x	2.1x	3.1x
Enterprise Value as a Multiple of Forecast Fiscal Year 2017 Revenues	0.3x	0.5x	0.5x	0.3x	1.9x	2.9x
Market Value as a Multiple of LTM Pre-Tax Income	NM	NM	NM	9.3x	12.3x	19.7x
Market Value as a Multiple of Estimated Fiscal Year 2017 Pre-Tax Income	15.8x	11.0x	18.9x	7.0x	10.8x	13.3x
Market Value as a Multiple of Tangible Book Value (Post-Dividend)	NA	1.9x	NA	0.7x	3.0x	16.1x
Market Value as a Multiple of Tangible Book Value (Post-Dividend)	1.2x	NA	1.4x	0.7x	3.0x	16.1x

**Trading Multiples Implied Multiples of Guideline Public Companies  
For B. Riley  
Based on  
Closing  
Stock Price  
on**

	February 16, 2017	Minimum	Median	Maximum
Enterprise Value as a Multiple of LTM Revenues	1.4x	0.3x	2.1x	3.1x
	1.3x	0.3x	1.9x	2.9x

Enterprise Value as a Multiple of  
Forecast Fiscal Year 2017  
Revenues

Market Value as a Multiple of LTM Pre-Tax Income	6.7x	9.3x	12.3x	19.7x
Market Value as a Multiple of Estimated Fiscal Year 2017 Pre-Tax Income	7.7x	7.0x	10.8x	13.3x
Market Value as a Multiple of Tangible Book Value (Post-Dividend)	6.3x	0.7x	3.0x	16.1x

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**Table of Contents*****Pro Forma Earnings Per Share and Tangible Book Value Per Share Analysis***

Berkshire Capital analyzed certain potential pro forma effects of the merger on B. Riley, assuming the following: (i) the merger had closed on January 1, 2017; (ii) 19,500,000 B. Riley common shares were outstanding prior to the merger; (iii) 5,306,000 B. Riley common shares are issued in the merger; (iv) FBR's closing balance sheet includes cash, cash equivalents and financial instruments owned equal to not less than \$33,500,000; (v) B. Riley's 2017 performance is consistent with the B. Riley forecasts; (vi) FBR's 2017 performance is consistent with the FBR forecasts; (vii) cost savings of \$6,500,000 per annum are fully realized, and; (viii) 33% of the merger consideration in excess of FBR tangible book value will be allocated to definite-life intangibles to be amortized over five years with the balance allocated to goodwill.

The pro forma impact on tangible book value per share is based on the unaudited B. Riley consolidated balance sheet as of December 31, 2016 and the estimated FBR consolidated balance sheet as of March 31, 2017. The actual results achieved by the combined company, however, may vary from projected results and the variations may be material.

Berkshire Capital calculated the pro forma impact on GAAP earnings per share and non-GAAP earnings per share, where non-GAAP earnings per share exclude the non-cash charges for, and related tax impacts of, amortization of transactions intangibles. The table below shows Berkshire Capital's assessment of the financial impact of the merger on the pro forma financial performance and financial condition of B. Riley.

Standalone GAAP Estimated Fiscal Year 2017 EPS	\$ 1.15
Pro Forma GAAP Estimated Fiscal Year 2017 EPS	\$ 1.14
\$ Accretion / (Dilution)	(0.01)
% Accretion / (Dilution)	(0.9)%
Standalone Non-GAAP Estimated Fiscal Year 2017 EPS	\$ 1.32
Pro Forma Non-GAAP Estimated Fiscal Year 2017 EPS	\$ 1.40
\$ Accretion / (Dilution)	0.08
% Accretion / (Dilution)	6.1%
Standalone Estimated March 31, 2017 Tangible Book Value Per Share	\$ 2.78
Pro Forma Estimated March 31, 2017 TBV Per Share	\$ 4.11
\$ Accretion / (Dilution)	1.33
% Accretion / (Dilution)	47.8%

***Other Information Reviewed By Berkshire Capital***

Berkshire Capital also reviewed and presented certain additional information and analyses that were not considered part of its financial analyses with respect to its opinion but were referenced for informational purposes,

**Table of Contents***Premiums Paid Analysis*

Using publicly available information, Berkshire Capital analyzed certain information relating to selected precedent merger and acquisition transactions with transaction values between \$25 million and \$1 billion involving publicly-traded securities broker-dealer target companies announced since January 1, 2009. Berkshire Capital calculated and compared the 1-day and 1-month premiums paid in precedent transactions to the 1-day and 1-month premiums implied by the transaction consideration and based on the February 16, 2017 closing share price of FBR.

<b>Announcement Date</b>	<b>Acquiror</b>	<b>Target</b>
April 28, 2016	National Holdings Corporation	Fortress Biotech Inc.
December 23, 2015	BGC Partners, Inc.	GFI Group Inc.
April 1, 2014	Hilltop Holdings Inc.	SWS Group, Inc.
November 18, 2013	RCS Capital Corporation	Summit Financial Services Group, Inc.
October 2, 2013	RCS Capital Corporation	Investors Capital Holdings, Ltd.
December 30, 2012	Investor group	Duff & Phelps Corporation
November 5, 2012	Stifel Financial Corp.	KBW, Inc.
July 9, 2012	Thomson Reuters Corporation	FX Alliance Inc.
April 16, 2012	Lee Equity Partners, LLC	Edelman Financial Group Inc.
April 21, 2011	Monex Group, Inc.	TradeStation Group, Inc.
February 17, 2011	Cowen Group, Inc.	LaBranche & Co Inc.
April 26, 2010	Stifel Financial Corp.	Thomas Weisel Partners Group, Inc.
July 2, 2009	International Assets Holding Corporation	FCStone Group, Inc.
January 8, 2009	TD Ameritrade Holding Corporation	thinkorswim Group Inc.

	<b>Premium to Market (Time before Announcement)</b>	
	<b>1-Day</b>	<b>1-Month</b>
Minimum	(4.9)%	(7.1)%
Median	33.5%	29.0%
Maximum	74.4%	95.0%

*Transaction Premium Analysis*

Berkshire Capital compared the 1-day premium implied by the transaction consideration of approximately 19.6% to the median, maximum and minimum implied 1-day premium paid in the precedent transactions. Berkshire Capital compared the 1-month premium implied by the transaction consideration of approximately 44.0% to the median, maximum and minimum implied 1-month premium paid in the precedent transactions.

**Table of Contents***Analysis of Stock Price Performance*

Berkshire Capital also reviewed the publicly reported trading prices of FBR common shares and the average daily trading volume for the five year period ended February 15, 2017. Berkshire Capital compared the stock price performance of FBR common shares over the past five years to: (i) the market capitalization weighted average stock price performance of six publicly-traded mid-size investment banks; (ii) the market capitalization weighted average stock price performance of six publicly-traded specialized advisory investment banks, and; (iii) the performance of the S&P 500 index over the same time period. Berkshire Capital analyzed FBR's multiples of market value per share to book value per share; market value per share to tangible book value per share; market value to LTM revenues, and; market value per share to LTM earnings per share for the period beginning June 7, 2007 and ended February 15, 2017. June 7, 2007 was selected by Berkshire Capital as it was FBR's IPO offer date.

**FBR Stock Price (\$)**

	<b>5-Year</b>	<b>1-Year</b>	<b>90-Day</b>	<b>10-Day</b>
Minimum	9.52	10.57	11.40	14.80
Median	20.56	14.80	13.55	15.03
Maximum	30.75	20.48	16.35	16.35

**FBR Average Daily Trading Volume (thousands)**

	<b>5-Year</b>	<b>1-Year</b>	<b>90-Day</b>	<b>10-Day</b>
Minimum	2	4	4	10
Median	34	22	21	30
Maximum	1,062	590	103	77

**5-Year Stock Price Performance**

FBR	68.9%
Peer Group A (COWN, PJC, JMP, OPY, RJF, SF)	103.9%
Peer Group B (EVR, GHL, HLI, LAZ, MC, PJT)	69.4%
S&P 500	74.9%

**FBR Stock Price Performance since June 7, 2006**

	<b>Price /</b>			
	<b>Tangible Book Value</b>	<b>Book Value</b>	<b>LTM Revenues</b>	<b>LTM Earnings</b>
Minimum	0.4x	0.4x	0.6x	3.5x
Median	0.8x	0.8x	1.2x	12.9x
Maximum	2.4x	2.3x	3.3x	50.0x

Berkshire Capital also reviewed for informational purposes the publicly reported trading prices of B. Riley common shares and average daily trading volume for the period beginning November 7, 2014 and ended February 15, 2017. November 7, 2014 was selected by Berkshire Capital as it was the effective date of the registration statement of B. Riley common shares following B. Riley & Co., LLC's merger with Great American Group, Inc. Berkshire Capital compared the stock price performance of B. Riley common shares to the market capitalization weighted average stock price performance of the same two groups of publicly-traded investment banks used in the analysis of the FBR stock price performance, above, and the S&P 500 index. Berkshire analyzed B. Riley's multiples of market value per share

to book value per share; market value per share to tangible book value per share; market value to LTM revenues, and; market value per share to LTM earnings per share for the period beginning November 7, 2014 and ended February 15, 2017.

<b>B. Riley Stock Price (\$)</b>				
	<b>November 7, 2014</b>	<b>1-Year</b>	<b>90-Day</b>	<b>10-Day</b>
Minimum	8.01	8.59	15.25	16.70
Median	10.00	10.49	17.45	17.20
Maximum	21.30	21.30	21.30	18.50

**Table of Contents****B. Riley Average Daily Trading Volume (thousands)**

	November 7, 2014			
	1-Year	90-Day	10-Day	
Minimum	0	3	7	
Median	5	11	12	14
Maximum	923	923	95	56

**Stock Price Performance since November 7, 2014**

B. Riley	112.3%
Peer Group A (COWN, PJC, JMP, OPY, RJF, SF)	28.9%
Peer Group B (EVR, GHL, HLI, LAZ, MC, PJT)	6.5%
S&P 500	15.6%

**B. Riley Stock Price Performance since November 7, 2014**

	Price /			
	Tangible Book Value	Book Value	LTM Revenues	LTM Earnings
Minimum	1.7x	1.2x	0.7x	13.5x
Median	2.4x	1.5x	1.5x	16.7x
Maximum	8.3x	2.8x	3.2x	46.6x

**Miscellaneous**

Berkshire Capital acted as financial advisor to FBR in connection with the merger and will receive a fee comprising (i) \$100,000 paid upon execution of its engagement letter with FBR, (ii) monthly retainers totaling \$100,000, (iii) \$300,000 paid upon delivery of Berkshire Capital's opinion, and (iv) \$1,900,000 upon the consummation of the merger. FBR has also agreed to reimburse Berkshire Capital's reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Berkshire Capital and its affiliates and their respective partners, directors, officers, employees and agents against certain expenses and liabilities, including liabilities under the securities laws.

Berkshire Capital has previously provided financial advisory services to FBR in connection with an acquisition transaction by FBR that was announced in July 2015, for which Berkshire Capital received a fee of \$75,000.

Berkshire Capital prepared the foregoing analyses solely for purposes of providing the opinion described above to the FBR board of directors. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold or traded. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, Berkshire Capital does not assume any responsibility if future results are materially different from those forecast.

The transaction consideration was determined through arm's-length negotiations between FBR and B. Riley and was approved by the FBR board of directors. Berkshire Capital provided advice to FBR during these negotiations. Berkshire Capital did not, however, recommend any specific transaction consideration to FBR or the FBR board of directors or that any specific transaction consideration constituted the only appropriate consideration for the combination. The decision to enter into the merger agreement was solely that of FBR's board of directors.



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**Recommendations of the B. Riley Board of Directors and Reasons for the Merger**

After careful consideration, the B. Riley board of directors determined that the merger with FBR and the merger agreement and the other transactions contemplated thereby are advisable, fair to and in the best interests of B. Riley and its stockholders and declared advisable and authorized and approved the merger agreement and the transactions contemplated therein, including the merger, and recommends that B. Riley's stockholders vote **FOR** the B. Riley share issuance proposal and **FOR** the B. Riley adjournment proposal. In reaching its decision to approve the merger agreement and recommend that B. Riley stockholders approve the B. Riley share issuance proposal, the B. Riley board of directors evaluated the merger in consultation with B. Riley's senior management and advisors, and considered a number of factors, including the following material factors:

B. Riley and FBR's historical and current financial performance and results of operations; B. Riley and FBR's business, prospects and long-term strategy; B. Riley and FBR's competitive position and general economic and stock market conditions, taking into account the presentations made by senior management and the results of B. Riley's due diligence review of FBR;

its belief that combining the two companies would diversify the overall business of B. Riley by adding FBR's market-leading initial equity franchise to B. Riley's successful capital markets capabilities and allow for expanded geographic distribution reach with significant operations on the east and west coasts;

the complementary aspects of FBR and B. Riley's businesses, including customer focus, geographic coverage and business orientation and compatibility of the companies' management and operating styles and the potential to extend B. Riley's investment banking and brokerage services leadership position;

the strong cultural fit of two entrepreneurial financial services firms;

the financial terms of the transaction, including the pro forma impact of the merger on the combined company, the combined company's increased capital base, the potential expense-saving and revenue-enhancing opportunities in connection with the merger and the related potential impact on the combined company's earnings;

the expectation that the transaction will enhance B. Riley's liquidity, scale and overall financial strength;

its understanding of the current and prospective environment in which FBR and B. Riley operate, including national and local economic conditions, the interest rate environment, increasing operating costs resulting from regulatory initiatives and compliance mandates, the competitive environment for financial institutions generally, and the likely effect of these factors on B. Riley;

B. Riley's successful operating and acquisition track record, specifically B. Riley's history of efficiently closing and integrating acquisitions;

its belief that the merger will permit B. Riley to enhance offerings to existing clients and expand its investment banking capabilities;

the expanded opportunities for the combined company, including organic growth and future acquisitions, that would be available to the combined company, given its larger size, asset base, capital and footprint;

its belief that the merger is likely to provide substantial value to B. Riley stockholders;

its assessment of the likelihood that the merger would be completed in a timely manner and that the management team of the combined company would be able to successfully integrate and operate the businesses of the combined company after the merger;

the structure of the merger and the financial and other terms of the merger agreement, including the fact that FBR shareholders would receive B. Riley common shares, the minimum cash and financial instrument amount condition and the provisions of the merger agreement designed to enhance the probability that the merger will be completed;



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the potential risk that the potential benefits of the merger would not be realized fully as a result of challenges the companies might face in integrating their technology, personnel and operations, as well as general industry-wide or economic conditions or other factors;

the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating FBR's business, operations and workforce with those of B. Riley;

the transaction-related costs;

the potential risk of diverting management attention and resources from the operation of B. Riley's businesses or other opportunities and toward the completion of the merger;

the regulatory and other approvals required in connection with the merger and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions;

the possibility of litigation challenging the merger, and B. Riley's belief that any such litigation would be without merit; and

the potential risk of losing other acquisition opportunities while B. Riley remains focused on completing the merger.

The foregoing discussion of the information and factors considered by the B. Riley board of directors is not intended to be exhaustive, but, rather, includes the material factors considered by the B. Riley board of directors. In reaching its decision to adopt and approve the merger agreement, and the other transactions contemplated by the merger agreement, the B. Riley board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The B. Riley board of directors considered all these factors as a whole, including discussions with, and questioning of B. Riley senior management and advisors, and overall considered the factors to be favorable to, and to support, its determination.

This explanation of B. Riley's reasons for the merger and other information presented in this section is forward-looking in nature and should be read in light of the section entitled "Cautionary Note Regarding Forward-Looking Statements."

B. Riley's board of directors realized that there can be no assurance about future results, including results expected or considered in the factors listed above, such as assumptions regarding enhanced business prospects, anticipated cost savings and earnings accretion/dilution. The B. Riley board of directors concluded, however, that the potential positive factors outweighed the potential risks of completing the transaction.

**B. Riley Board of Directors After the Merger**

At or prior to the effective time, the number of directors constituting the full B. Riley board of directors will be eight, an increase of one, with Richard J. Hendrix, who is the Chairman, President and Chief Executive Officer of FBR,

being appointed to fill the new seat in accordance with the terms of the employment agreement as more fully described in The Merger Agreement Related Agreements Employment Agreement. In accordance with the terms of the employment agreement, following the closing, Mr. Hendrix will serve as President and Chief Executive Officer of the entity that will house the businesses of FBR and B. Riley & Co., LLC, which we refer to as the combined brokerage business. Information about the current B. Riley directors can be found in the documents listed under Where You Can Find More Information included elsewhere in this joint proxy statement/prospectus.

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### **Merger Sub Officers and Sole Member after the Merger**

The officers of merger sub immediately prior to the effective time will be the officers of the surviving company until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal. B. Riley & Co., LLC will remain the sole member of merger sub immediately following the effective time.

### **Interests of FBR's Directors and Executive Officers in the Merger**

In considering the recommendation of the FBR board of directors in favor of the approval of the merger agreement by FBR shareholders, you should be aware that aside from their interests as shareholders of FBR, the directors and executive officers of FBR have interests in the merger that may differ from, or be in addition to, those of other FBR shareholders generally. Members of the FBR board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to the shareholders of FBR that the merger agreement be approved. See the section entitled *The Merger Background of the Merger* and the section entitled *The Merger Recommendations of the FBR Board of Directors and Reasons for the Merger*. These interests are described in more detail below, and certain of them are quantified in the narrative and the table below.

#### ***Treatment of FBR Equity Awards***

***FBR Options.*** At the effective time, each outstanding FBR option, will be cancelled and converted into a number of B. Riley common shares having a value equal to the final pre-dividend price, less the applicable exercise price and subject to rounding. Any option that has an exercise price that is greater than or equal to the final pre-dividend price will be cancelled for no consideration. As of the date hereof, none of FBR's executive officers or non-employee directors hold options that are unvested.

***FBR Restricted Stock Awards.*** At the effective time, each outstanding share of restricted stock of FBR will be converted into (i) a number of restricted B. Riley common shares equal to the exchange ratio of 0.671 (rounded to the nearest whole number) and (ii) the right to receive a cash payment in respect of the pre-closing dividend. After the effective time, with respect to employees, including the executive officers of FBR, the restricted B. Riley common shares and the right to receive a cash payment in respect of the pre-closing dividend will continue to be governed by the same terms and conditions (including vesting terms with respect to employees) as applied to the applicable share of FBR restricted stock immediately prior to the effective time. The FBR restricted stock awards held by FBR's non-employee directors will vest as of immediately prior to the effective time and be treated like FBR common shares generally.

***FBR RSUs.*** At the effective time, each outstanding FBR RSU, whether vested or unvested, will be converted into (i) a B. Riley stock-based RSU covering a number of B. Riley common shares equal to the product (rounded to the nearest whole number) of the exchange ratio of 0.671 and the number of FBR common shares subject to such FBR RSU immediately prior to the effective time and (ii) the right to receive a cash payment in respect of the pre-closing dividend. After the effective time, the B. Riley stock-based RSU and the right to receive a cash payment in respect of the pre-closing dividend will continue to be governed by the same terms and conditions (including vesting conditions with respect to employees, including the executive officers of FBR) as applied to the applicable FBR RSU immediately prior to the effective time. The FBR RSUs held by FBR's non-employee directors will vest as of immediately prior to the effective time and be settled following the effective time consistent with the terms of the award.

*FBR PSUs.* At the effective time, each outstanding FBR PSU, whether vested or unvested, will be converted into (i) a B. Riley stock-based RSU covering a number of B. Riley common shares equal to the product (rounded to the nearest whole number) of the exchange ratio of 0.671 and the number of FBR common shares subject to the FBR PSU based on the greater of (x) the number of FBR common shares that would be earned based on actual performance for the most recently completed fiscal quarter prior to the effective time, as reasonably

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determined by the compensation committee of the FBR board of directors and (y) the level of achievement resulting in 50% of the number of FBR common shares being earned, and (ii) the right to receive a cash payment in respect of the pre-closing dividend. After the effective time, the B. Riley stock-based RSU and the right to receive a cash payment in respect of the pre-closing dividend will continue to be governed by the same terms and conditions (excluding performance-based vesting conditions, but including time-based vesting conditions) as applied to the applicable FBR PSU immediately prior to the effective time.

*Quantification of Payments.* As noted above, FBR options will be cancelled and settled as of the effective time. In addition, under their terms, FBR equity awards that are assumed by B. Riley (i) that are held by non-employee directors will vest upon a change in control and (ii) that are held by executive officers will vest in the event that, within two years following a change in control, the executive officer's employment is terminated by B. Riley without cause or by the executive officer with good reason, each of which we refer to as a qualifying termination. The merger will constitute a change in control for purposes of the FBR equity awards.

For an estimate of the amounts that would be payable to each of FBR's named executive officers on settlement of their unvested FBR equity awards, see *Quantification of Payments and Benefits to FBR's Named Executive Officers* below. The estimated aggregate amount that would be payable to FBR's one executive officer who is not a named executive officer in settlement of his unvested FBR equity awards if the effective time occurred on March 16, 2017 and he experienced a qualifying termination on that date is \$15,695. We estimate that the aggregate amount that would be payable to FBR's seven non-employee directors for their unvested FBR equity awards if the effective time occurred on March 16, 2017 is \$580,259. The amounts in this paragraph are determined using a per share price of FBR of \$18.25, the average closing price per FBR common share over the first five business days following the announcement of the merger agreement.

***Existing Employment Agreement with Richard J. Hendrix***

Richard J. Hendrix, FBR's Chairman and Chief Executive Officer, is party to an employment agreement with FBR, which provides for severance benefits in the event that his employment is terminated by FBR without cause, he resigns his employment with good reason, or he dies or becomes disabled.

The employment agreement provides that, in the event Mr. Hendrix is terminated without cause or he resigns with good reason, in each case, on or following a change in control, he will be entitled to:

a lump sum cash payment in an amount equal to two times the sum of (i) his annual base salary and (ii) the average annual incentive bonuses earned by Mr. Hendrix with respect to the three completed fiscal years preceding the date of termination;

a prorated annual incentive bonus for the year of termination based on actual performance;

immediate vesting of all unvested equity awards, other than certain performance awards, which will remain eligible to vest based on the achievement of the applicable performance goals; and

three years of health insurance coverage.

In the event that Mr. Hendrix is terminated due to his death or disability, he will be entitled to:

a prorated annual incentive bonus for the year of termination based on actual performance; and

immediate vesting of all unvested equity awards, other than certain performance awards, which will remain eligible to vest based on the achievement of the applicable performance goals.

The employment agreement provides that any payments or benefits payable to Mr. Hendrix will be reduced to the extent that such payments or benefits would result in the imposition of excise taxes under Section 4999 of the Code, unless Mr. Hendrix would be better off on an after-tax basis receiving all such payments or benefits. Under the employment agreement, Mr. Hendrix is also subject to a confidentiality covenant and, during his employment and for 12 months following his termination of employment with or without cause or with or without good reason, noncompetition and nonsolicitation covenants in favor of FBR.

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As discussed more fully below, B. Riley & Co., LLC and B. Riley have entered into a new employment agreement with Mr. Hendrix that supersedes his existing FBR employment agreement. See B. Riley Agreement with Richard J. Hendrix below.

*Quantification of Payments.* For an estimate of the value of the payments and benefits described above that would be payable to Mr. Hendrix under his employment agreement with FBR upon a termination without cause or resignation with good reason in connection with the merger, see Quantification of Payments and Benefits to FBR's Named Executive Officers below.

***B. Riley Agreement with Richard J. Hendrix***

In connection with FBR's entry into the merger agreement, Mr. Hendrix entered into an employment agreement with B. Riley & Co., LLC and, solely with respect to its obligations under such employment agreement, B. Riley, which we refer to as the new Hendrix employment agreement, effective contingent on the closing of the merger and Mr. Hendrix remaining employed by FBR as of immediately prior to the closing of the merger. The new Hendrix employment agreement provides that, beginning on the closing date, Mr. Hendrix will serve as President and Chief Executive Officer of the combined brokerage business, for a fixed employment term ending December 31, 2020, except that if there is a change in control (as defined in the employment agreement), the term will automatically extend so as to be at least two years from the date of such change in control. During the term of the new Hendrix employment agreement, Mr. Hendrix will also serve on the B. Riley board of directors.

In addition, during the term of the new Hendrix employment agreement, Mr. Hendrix will receive an annual base salary of \$750,000 and be eligible to receive an annual bonus based on the combined brokerage business's pre-CEO adjusted EBITDA (as defined in the new Hendrix employment agreement). Fifty percent of any annual bonus amounts over \$1 million will be paid in restricted stock of B. Riley, which will be subject to forfeiture if the combined brokerage business's pre-CEO adjusted EBITDA for the following fiscal year is negative. Mr. Hendrix will also be eligible to participate in the incentive and benefit plans of B. Riley, B. Riley & Co., LLC, and the combined brokerage business, as applicable.

Upon a termination of employment without cause (as defined in the new Hendrix employment agreement) or by Mr. Hendrix for good reason (as defined in the new Hendrix employment agreement), in addition to any earned but unpaid amounts for service prior to the date of termination, Mr. Hendrix will be entitled to: (i) a payment equal to 1.5 times the sum of the annual salary paid and the average annual incentive bonuses earned in the two completed fiscal years prior to the date of termination, which, prior to a change in control and prior to the first anniversary of the closing date, is not to be less than \$1.5 million; (ii) a pro rata annual incentive payment based on annualized financial performance of the combined brokerage business for the fiscal year; (iii) immediate vesting of equity awards, other than certain performance awards which will remain eligible to vest based on the achievement of the applicable performance goals; and (iv) three years of health insurance coverage. Upon a termination of employment due to Mr. Hendrix's death or disability, in addition to any earned but unpaid amounts for service prior to the date of termination, Mr. Hendrix will be entitled to a pro rata annual incentive payment and the vesting of equity awards, generally as described in clauses (ii) and (iii) above.

Under the new Hendrix employment agreement, Mr. Hendrix will forfeit certain payments made in connection with a change in control to the extent that such forfeiture would place Mr. Hendrix in a more favorable after-tax position under Section 4999 of the Code.

In addition, the new Hendrix employment agreement contains restrictive covenants prohibiting the disclosure of confidential information and, during the term of his employment and for a 12-month period following the termination

of his employment by B. Riley & Co., LLC with or without cause or his resignation with or without good reason, competing with the combined brokerage business and soliciting the employees and customers of B. Riley & Co., LLC and its affiliates.



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***Severance Policy***

FBR maintains a severance policy, which we refer to as the FBR severance policy, that provides exempt employees (including executive officers other than Mr. Hendrix) with severance benefits upon an involuntary termination due to a reduction in force/downsizing, job elimination, or other circumstances as determined by FBR. Upon an involuntary termination under the FBR severance policy, executive officers would receive:

two weeks of pay for every year of service (subject to a minimum of 6 weeks of pay and a maximum of 26 weeks of pay);

payment of any commissions earned as of the date of termination; and

at the discretion of FBR, payment of health care insurance premiums for a period of time as determined by FBR.

*Quantification of Payments.* For an estimate of the amounts that would be payable to each of FBR's named executive officers (other than Mr. Hendrix) upon an involuntary termination under the FBR severance policy, see *Quantification of Payments and Benefits to FBR's Named Executive Officers* below. The estimated aggregate amount that would be payable to FBR's one executive officer who is not a named executive officer upon an involuntary termination under the FBR severance policy if the effective time occurred on March 16, 2017 and he experienced a qualifying termination on that date is \$110,000.

***Asset Pool Awards under the 2016 Retention and Incentive Plan***

Certain of FBR's executive officers have been granted an award under FBR's 2016 Retention and Incentive Plan, which we refer to as the FBR 2016 R&I Plan, consisting of an interest in a specified pool of securities (and the proceeds of those securities and any replacement securities), which we refer to as the FBR 2016 asset pool. Awards granted under the FBR 2016 asset pool will vest on February 10, 2020, subject to the executive officer's continued employment through such date and to accelerated vesting upon certain earlier terminations of employment. In particular, if, during the two years following a change in control, the executive officer is terminated without cause or resigns for good reason, then any award granted under the FBR 2016 asset pool will full vest. The merger will constitute a change in control for this purpose.

Under the FBR 2016 R&I Plan, vested awards under the FBR 2016 asset pool may be settled in cash or by delivering assets from the FBR 2016 asset pool with an aggregate fair market value equal to the portion of the FBR 2016 asset pool represented by such award.

*Quantification of Payments.* For an estimate of the amounts that would be payable to each of FBR's named executive officers on settlement of their unvested FBR 2016 asset pool awards, see *Quantification of Payments and Benefits to FBR's Named Executive Officers* below. The one executive officer who is not a named executive officer does not hold any unvested FBR 2016 asset pool awards.

***Retention Pool***

Under the merger agreement, awards of B. Riley stock-based RSUs may be allocated to FBR employees, including executive officers (other than the Chief Executive Officer), under a retention pool established by B. Riley in amounts and on terms as are mutually agreed between the Chief Executive Officer of FBR (or his designee) and the Chief Executive Officer of B. Riley (or his designee), with the grants to be made subject to, and effective upon, the effective time. See The Merger Agreement Employee Matters.

As of the date of this joint proxy statement/prospectus, no awards had been allocated to any FBR executive officers.

**Table of Contents*****Indemnification and Insurance***

Pursuant to the terms of the merger agreement, FBR's directors and executive officers will be entitled to certain ongoing indemnification and coverage under directors' and officers' liability insurance policies from the surviving corporation. This indemnification and insurance coverage is further described in the section entitled "The Merger Agreement Indemnification; Directors' and Officers' Insurance."

***Quantification of Payments and Benefits to FBR's Named Executive Officers***

The table below sets forth the amount of payments and benefits that each of FBR's named executive officers would receive in connection with the merger, assuming that the merger were consummated and each such executive officer experienced a qualifying termination on March 16, 2017. The amounts below are determined using a price per FBR common share of \$18.25, the average closing price per FBR common share over the first five business days following the announcement of the merger agreement, and are based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including the assumptions described in the footnotes to the table. Consistent with SEC guidance, the amounts below do not take into account the effect of the new Hendrix employment agreement or any awards of B. Riley stock-based RSUs allocated by B. Riley to named executive officers under the retention pool. As a result of the foregoing assumptions, the actual amounts, if any, to be received by a named executive officer may materially differ from the amounts set forth below.

**Golden Parachute Compensation**

<b>Name</b>	<b>Cash (\$)<sup>(1) (2)</sup></b>	<b>Equity (\$)<sup>(3)</sup></b>	<b>Perquisites/Benefits (\$)<sup>(4)</sup></b>	<b>Other (\$)<sup>(5)</sup></b>	<b>Total (\$)</b>
Richard J. Hendrix	2,758,612	1,176,943	88,506	137,169	4,161,230
Bradley J. Wright	138,462	923,816		137,169	1,199,447
Kenneth P. Slosser	250,000	1,050,872		137,169	1,438,041
Adam J. Fishman	250,000	1,050,872		137,169	1,438,041
Gavin A. Beske	175,000	444,808		54,867	674,675
James C. Neuhauser <sup>(6)</sup>		179,106			179,106

- (1) The cash payments payable to Mr. Hendrix consist of (a) a lump sum cash payment in an amount equal to two times the sum of (i) his annual base salary and (ii) the average annual incentive bonuses earned by Mr. Hendrix with respect to the three completed fiscal years preceding the date of termination (\$2,466,667); and (b) a prorated annual incentive bonus for the year of termination (\$291,945), determined based on actual performance pursuant to the 2017 Performance-Based Annual Incentive Compensation Plan, which we refer to as the ICP, approved by the compensation committee of the FBR board of directors for named executive officers, under which FBR's named executive officers are eligible to share in the ICP pool in the event the requisite performance goal is met. Under the ICP, a net revenue level of at least \$120 million must be achieved, upon which an ICP pool of 6% of net revenue beginning with the first dollar of revenue earned would fund, with any individual executive award not to exceed 3% of net revenue. Historically, the compensation committee of the FBR board of directors has always exercised negative discretion and reduced the amount of the ICP pool paid out to FBR's named executive officers from its fully funded level. For purposes of this table, it is assumed that 2017 revenue totaled \$120 million, resulting in a 6% ICP pool of \$7,200,000, divided equally among FBR's five named executive officers eligible for an award under the 2017 ICP, resulting in \$1,440,000, one-fifth of the ICP pool, allocated to

Mr. Hendrix based on full-year performance. Assuming a termination of employment as of March 16, 2017, the prorated annual incentive bonus payable to Mr. Hendrix through such date would be \$291,945. Both payments are double-trigger (i.e., payable upon a qualifying termination following a change in control).

- (2) The cash payments payable to the named executive officers (other than Messrs. Hendrix and Neuhauser) consist of a lump sum cash payment equal to (a) two weeks of pay for every year of service (subject to a minimum of six weeks of pay and a maximum of 26 weeks of pay), and (b) payment of any commissions earned as of the date of termination, in each case, under the FBR severance policy. Both payments are

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double-trigger. Set forth below are the separate value of the severance payment and any unpaid commissions.

<b>Name</b>	<b>Severance Payment ( Double-Trigger ) (\$)</b>	<b>Commission Payment ( Double-Trigger ) (\$)</b>
Bradley J. Wright	138,462	
Kenneth P. Slosser	250,000	
Adam J. Fishman	250,000	
Gavin A. Beske	175,000	

- (3) As described above, all FBR options will vest and be settled at the effective time (i.e., single-trigger vesting) and all other FBR equity awards will vest upon a qualifying termination (i.e., double-trigger vesting). Set forth below are the values of each type of unvested equity-based award that would vest upon the effective time or a qualifying termination, as applicable, based on a price per FBR common share of \$18.25, the average closing price per FBR common share over the first five business days following the announcement of the merger agreement. None of FBR's named executive officers hold unvested stock options. For FBR PSUs, assumes performance conditions are deemed satisfied at a level resulting in 50% of the FBR common shares subject to such FBR PSUs being earned, as provided under the merger agreement.

<b>Name</b>	<b>FBR Options (\$)</b>	<b>FBR Restricted</b>		
		<b>Stock (\$)</b>	<b>FBR RSUs (\$)</b>	<b>FBR PSUs (\$)</b>
Richard J. Hendrix			756,718	420,225
Bradley J. Wright			629,662	294,154
Kenneth P. Slosser			756,718	294,154
Adam J. Fishman			756,718	294,154
Gavin A. Beske			276,707	168,101
James C. Neuhauser			53,838	125,268

- (4) The amount in the table for Mr. Hendrix equals the estimated value of health coverage continuation for three years following a termination of employment without cause or resignation with good reason. This benefit is double-trigger. Because FBR retains discretion as to whether to provide health coverage continuation under the FBR severance policy upon an involuntary termination, no estimated value is included for the named executive officers other than Mr. Hendrix.
- (5) As described above, all awards granted under the FBR 2016 asset pool will become fully vested upon a qualifying termination (i.e., double-trigger vesting) and be settled either in cash or in kind (based on the fair market value of the portion of the FBR 2016 asset pool represented by such award).
- (6) Mr. Neuhauser retired effective as of October 31, 2016. He remains eligible to earn the FBR RSUs and a prorated portion of the FBR PSUs he held as of his retirement pursuant to the terms of the applicable award.

**Regulatory Approvals Required for the Merger**

Completion of the merger is conditioned on (i) the expiration or earlier termination of the applicable waiting period under the HSR Act and (ii) the receipt of approval of each FBR broker-dealer subsidiary's Continuing Membership Application by FINRA; provided, however, that this condition will be deemed satisfied with respect to approval by FINRA in certain circumstances as described in The Merger Agreement Conditions to the Merger, and such approval not imposing any term, condition or consequence which would constitute a burdensome condition.

Although the parties currently believe they should be able to obtain all required regulatory approvals in a timely manner, they cannot be certain when or if they will obtain them or, if obtained, whether they will contain terms, conditions or restrictions not currently contemplated that will be detrimental to B. Riley after the completion of the merger or will constitute a burdensome condition.

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Under the HSR Act, certain transactions, including the merger, may not be completed unless certain waiting period requirements have expired or been terminated. The HSR Act provides that each party must file a pre-merger notification with the Antitrust Division of the Department of Justice, which we refer to as the DOJ, and the Federal Trade Commission, which we refer to as the FTC. A transaction notifiable under the HSR Act may not be completed until the expiration of a 30-calendar-day waiting period following the parties' filings of their respective HSR Act notification forms or the termination of that waiting period. If the DOJ or FTC issues a Request for Additional Information and Documentary Material, which we refer to as a second request, prior to the expiration of the initial waiting period, the parties must observe a second 30-calendar-day waiting period, which would begin to run only after both parties have substantially complied with the second request, unless the waiting period is terminated earlier.

B. Riley and FBR each filed the requisite HSR Act notification forms on March 3, 2017. Unless earlier terminated or extended by the issuance of a second request, the HSR waiting period will expire on April 3, 2017.

The indirect change in control of the FBR broker-dealer subsidiaries resulting from the merger is subject to approval by FINRA of each FBR broker-dealer subsidiary's Continuing Membership Application. FBR submitted the Continuing Membership Applications on March 6, 2017.

Subject to the terms of the merger agreement, B. Riley and FBR have agreed to cooperate with each other and use (and cause their respective subsidiaries to use) their respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under the merger agreement and applicable laws to consummate and make effective the merger and the other transactions contemplated by the merger agreement as soon as reasonably practicable, including as promptly as reasonably practicable:

preparing and filing all documentation to effect all necessary notices, reports and other filings; and

obtaining all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any governmental entity and/or any self-regulatory organization in order to consummate the merger or any of the other transactions contemplated by the merger agreement, including using their reasonable best efforts to agree to any requirements or remedies imposed by any applicable governmental entity.

Neither B. Riley nor FBR or any of their respective affiliates are required to pay any consideration to any third parties or give anything of value to obtain any such person's authorization, approval, consent or waiver to effectuate the merger and the other transactions contemplated by the merger agreement, other than filing, recordation or similar fees.

Each of B. Riley and FBR have agreed to promptly provide to each governmental entity with jurisdiction over enforcement of any applicable antitrust or competition laws non-privileged information and documents requested by any governmental antitrust entity or that are necessary, proper or advisable to permit consummation of the transactions contemplated by the merger agreement. B. Riley has further agreed to promptly use its reasonable best efforts to take all reasonably necessary, proper or advisable steps to avoid the entry of, and resist, vacate, modify, reverse, suspend, prevent, eliminate or remove any actual, anticipated or threatened permanent, preliminary or temporary injunction or other order, decree, decision, determination or judgment entered or issued, or that becomes reasonably foreseeable to be entered or issued, in any proceeding or inquiry of any kind that would reasonably be expected to delay, restrain, prevent, enjoin or otherwise prohibit or make unlawful the consummation of the merger or the other transactions contemplated by the merger agreement.

Notwithstanding the foregoing, neither B. Riley nor FBR or any of their respective subsidiaries or other affiliates are required, in order to obtain any consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any governmental entity and/or any self-regulatory organization in order to consummate the merger or any of the other transactions contemplated by the



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merger agreement or otherwise, to agree to, and neither FBR nor any of its subsidiaries or affiliates will agree to without B. Riley's prior written consent, any conditions, remedies or requirements that, individually or in the aggregate, would reasonably be expected to materially and adversely limit or restrict FBR's business as currently conducted or as currently contemplated to be conducted following the merger, which we refer to as a burdensome condition.

Subject to applicable laws relating to the exchange of information, FBR and B. Riley will have the right to review in advance and, to the extent reasonably practicable, each will consult with the other on and consider in good faith the views of the other in connection with all the information relating to B. Riley or FBR, as the case may be, and any of their respective subsidiaries, that appear in any filing made with, or written materials submitted to, any third party or any governmental entity in connection with the merger and the other transactions contemplated by the merger agreement. Each party will consult with the other in advance and give the other party the opportunity to attend and participate, to the extent not prohibited by any governmental entity, in any meeting with any governmental entity in respect of any filings, investigation or other inquiry relating to the transactions contemplated by the merger agreement. FBR and its subsidiaries may not agree to any actions, restrictions or conditions with respect to obtaining any consents, registrations, approvals, permits, expirations of waiting periods or authorizations in connection with the merger and the other transactions contemplated by the merger agreement without the prior written consent of B. Riley (which may be withheld in B. Riley's sole discretion). In exercising these rights, each of B. Riley and FBR agreed to act reasonably and as promptly as reasonably practicable.

Each of B. Riley and FBR has agreed to keep the other apprised of the status of matters relating to completion of the transactions contemplated by the merger agreement, including promptly furnishing the other with copies of notices or other communications received by B. Riley or FBR, as the case may be, or any of its subsidiaries, from any third party and/or any governmental entity with respect to such transactions. Each of B. Riley and FBR has agreed to give prompt notice to the other of any change, fact or condition that has had or would reasonably be expected to have a material adverse effect or of any failure of any condition to the other party's obligations to effect the merger.

## **Accounting Treatment**

B. Riley prepares its financial statements in accordance with United States generally accepted accounting principles, which we refer to as GAAP. The transaction will be accounted for using the acquisition method of accounting. B. Riley will be treated as the acquiror for accounting purposes.

## **Public Trading Markets**

B. Riley common shares are listed on Nasdaq under the symbol RILY. FBR common shares are listed on Nasdaq under the symbol FBRC. As promptly as practicable after the effective time, and no more than 10 days after the effective time, FBR common shares will be delisted from Nasdaq and thereafter will be deregistered under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. The B. Riley common shares issued in the merger will be listed on Nasdaq.

## **Exchange of Shares in the Merger**

The conversion of FBR common shares into the right to receive the merger consideration will occur automatically at the effective time. Promptly after the effective time, but in any event within five business days thereafter, the exchange agent will send to each FBR shareholder of record at the effective time appropriate transmittal materials and instructions for effecting the exchange of FBR common shares for the merger consideration the holder is entitled to receive under the merger agreement. Upon surrender of certificates or book entry shares for cancellation along with

the other documents described in the instructions, an FBR shareholder will receive a number of whole B. Riley common shares that such holder is entitled to receive based on the

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exchange ratio of 0.671 for each FBR common share and a check in the amount (after giving effect to any required tax withholdings as provided in the merger agreement) equal to any cash in lieu of fractional shares plus any unpaid non-stock dividends and any other dividends or other distributions that such holder has the right to receive pursuant to the terms of the merger agreement.

**Appraisal Rights**

Under Virginia law, FBR shareholders will not be entitled to exercise any appraisal or dissenters' rights in connection with any of the proposals being presented to them.

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**THE MERGER AGREEMENT**

*This section describes the material terms of the merger agreement. The description in this section and elsewhere in this joint proxy statement/prospectus is subject to and qualified in its entirety by reference to the complete text of the merger agreement, a copy of which is attached as **Appendix A** and is incorporated by reference into this joint proxy statement/prospectus. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. You are encouraged to read the merger agreement carefully and in its entirety before making any decisions regarding the merger, as it is the legal document governing the merger. This section is not intended to provide you with any factual information about B. Riley or FBR. Such information can be found elsewhere in this joint proxy statement/prospectus and in the public filings B. Riley and FBR make with the SEC, as described in the section entitled *Where You Can Find More Information*.*

**Explanatory Note**

The merger agreement and the summary of its terms in this joint proxy statement/prospectus have been included only to provide you with information about the terms and conditions of the merger agreement. Factual disclosures about B. Riley and FBR contained in this joint proxy statement/prospectus or in the public reports of B. Riley and FBR filed with the SEC may supplement, update or modify the factual disclosures about B. Riley and FBR contained in the merger agreement. The representations, warranties and covenants contained in the merger agreement are made by B. Riley, merger sub and FBR only for purposes of the merger agreement and as of specific dates and were qualified and subject to certain limitations and exceptions agreed to by B. Riley, merger sub and FBR in connection with negotiating the terms of the merger agreement. In particular, in your review of the representations and warranties contained in the merger agreement and described in this summary, it is important to bear in mind that the representations and warranties were made solely for the benefit of the parties to the merger agreement and were negotiated for the principal purpose of establishing circumstances in which a party to the merger agreement may have the right not to consummate the transaction if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocating risk between the parties to the merger agreement, rather than establishing matters as facts. Stockholders are not third-party beneficiaries under the merger agreement. The representations and warranties may also be subject to a contractual standard of materiality or material adverse effect different from those generally applicable to stockholders and reports and documents filed with the SEC, and, in some cases, they may be qualified by disclosures made by one party to the other, which are not necessarily reflected in the merger agreement or other public disclosures made by B. Riley or FBR. The representations and warranties contained in the merger agreement do not survive the effective time. Moreover, information concerning the subject matter of the representations, warranties and covenants, which do not purport to be accurate as of the date of this joint proxy statement/prospectus, may have changed since the date of the merger agreement, and subsequent developments or new information may not be fully reflected in public disclosures of B. Riley or FBR.

For the foregoing reasons, the representations, warranties and covenants or any descriptions of those provisions should not be read alone or relied upon as characterizations of the actual state of facts or conditions of B. Riley, merger sub or FBR or any of their respective subsidiaries. Instead, such provisions or descriptions should be read in conjunction with the other information provided elsewhere in this joint proxy statement/prospectus or incorporated by reference into this joint proxy statement/prospectus. Please see the section entitled *Where You Can Find More Information*.

**The Merger**

The merger agreement provides that, upon the terms and subject to the conditions of the merger agreement, at the effective time, FBR will merge with and into merger sub, which is a wholly owned, limited liability company subsidiary of B. Riley that is disregarded from B. Riley for U.S. federal income tax purposes, with merger sub

continuing as the surviving company. At the effective time of the merger, the separate corporate existence of FBR will cease, with all its rights, privileges, immunities, powers and franchises vesting in the surviving company.

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### **Effects of the Merger**

As a result of the merger, there will no longer be any publicly held FBR common shares. In receiving B. Riley common shares as merger consideration, former FBR shareholders will only participate in B. Riley's future earnings and potential growth through their ownership of B. Riley common shares. All of the other incidents of direct stock ownership in FBR, such as the right to vote on certain corporate decisions, to elect directors and to receive dividends and distributions from FBR, will be extinguished upon completion of the merger.

### **Closing and Effective Time of the Merger**

The merger agreement provides that the closing will occur on the first business day, which we refer to as the closing date, following the day on which all the closing conditions (other than those conditions that by their nature are to be satisfied at the closing, but subject to the satisfaction or waiver of those conditions) are satisfied or waived, unless otherwise mutually agreed by B. Riley and FBR.

The merger will become effective on the date on which the last of the following actions have been completed: (i) the certificate of merger is issued by the State Corporation Commission of the Commonwealth of Virginia, (ii) the certificate of merger has been duly filed with the Secretary of State of the State of Delaware, or (iii) at such later time as may be agreed by the parties in writing and specified in the articles of merger and the certificate of merger, which we refer to as the effective time. Assuming timely satisfaction of the necessary closing conditions, we currently expect the closing to occur in the second quarter of 2017. However, there can be no assurance as to when or if the merger will occur.

As described below, if the merger has not closed by 5:00 p.m., Eastern Time, on September 30, 2017, which we refer to as the outside date, the merger agreement may be terminated by either B. Riley or FBR.

### **Certificate of Formation; Limited Liability Company Agreement**

The certificate of formation and the limited liability company agreement of merger sub in effect immediately prior to the effective time will be the certificate of formation and the limited liability company agreement of the surviving company until thereafter amended.

### **Directors**

The merger agreement provides that at or prior to the effective time, the number of directors constituting the full B. Riley board of directors will be eight, an increase of one, with Richard J. Hendrix, who is the Chairman, President and Chief Executive Officer of FBR, being appointed to fill the new seat in accordance with the terms of the employment agreement described in the section entitled "The Merger Agreement Related Agreements Employment Agreement." In accordance with the terms of the employment agreement, following the closing, Mr. Hendrix will serve as president and chief executive officer of the combined brokerage business.

### **Officers and Sole Member**

The officers of merger sub immediately prior to the effective time will be the officers of the surviving company as of the effective time until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal. B. Riley & Co., LLC will remain the sole member of merger sub immediately following the effective time.



**Table of Contents****Merger Consideration**

The merger agreement provides that, at the effective time, each FBR common share issued and outstanding immediately prior to the effective time (other than FBR common shares owned by B. Riley, merger sub, FBR or any of their direct or indirect wholly owned subsidiaries, which shares we refer to as excluded shares), will be converted into, and become exchangeable for 0.671 B. Riley common shares together with the right, if any, to receive cash in lieu of fractional shares. As of the effective time of the merger, each FBR common share, other than excluded shares, will be cancelled and will cease to exist and will represent the right to receive the merger consideration and/or cash in lieu of fractional shares and any dividends or distributions that such former FBR common shares may be entitled to receive under the merger agreement. As a result of the merger and without any action on the part of the holder of each excluded share, each excluded share will cease to be outstanding, be cancelled without payment of any consideration therefor and will cease to exist. Based upon the [ ] FBR common shares outstanding as of the close of business on the record date, B. Riley will issue approximately [ ] B. Riley common shares at the closing.

**Treatment of FBR Equity Awards*****FBR Options***

At the effective time, each outstanding option to acquire FBR common shares, which we refer to as an FBR option, will be cancelled and converted into a number of B. Riley common shares equal to the quotient (rounded down to the nearest whole number) of (i) the number of FBR common shares subject to such FBR option immediately prior to the effective time multiplied by the FBR option spread, divided by (ii) the B. Riley share VWAP.

For the purposes of the merger agreement:

the *FBR option spread* means the final FBR pre-dividend price minus the exercise price per FBR common share of the applicable FBR option;

the *final FBR pre-dividend price* means the closing price of an FBR common share on the trading day immediately prior to the trading day on which the FBR common shares trade ex-dividend with respect to the per share pre-closing dividend, or if the FBR common shares do not ever trade ex-dividend, on the trading day immediately prior to the effective time; and

the *B. Riley share VWAP* means the volume weighted average price of a B. Riley common share for a 10-trading day period, starting with the opening of trading on the 11th trading day prior to the closing date to the closing of trading on the second to last trading day prior to the closing date.

***FBR Restricted Stock Awards***

At the effective time, each outstanding share of restricted stock of FBR will be converted into (i) a number of restricted B. Riley common shares equal to 0.671 (rounded to the nearest whole number) and (ii) a pre-closing dividend right. After the effective time, the restricted B. Riley common shares and pre-closing dividend right will continue to be governed by the same terms and conditions (including vesting terms with respect to employees) as applied to the applicable share of FBR restricted stock immediately prior to the effective time. The FBR restricted stock awards held by FBR's non-employee directors will vest as of immediately prior to the effective time and be



treated like shares of common stock generally.

For the purposes of the merger agreement, a pre-closing dividend right means the right to receive a cash payment equal to the per share pre-closing dividend, multiplied, in the case of FBR RSUs and FBR PSUs, by the number of FBR common shares subject to such FBR RSU or FBR PSU (determined in accordance with the merger agreement).

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**Table of Contents*****FBR RSUs***

At the effective time, each outstanding restricted stock unit of FBR, which we refer to as an FBR RSU, whether vested or unvested, will be converted into (i) a restricted stock unit denominated in B. Riley common shares, which we refer to as a B. Riley stock-based RSU, covering a number of B. Riley common shares equal to the product (rounded to the nearest whole number) of the exchange ratio of 0.671 and the number of FBR common shares subject to such FBR RSU immediately prior to the effective time and (ii) a pre-closing dividend right. After the effective time, the B. Riley stock-based RSU and pre-closing dividend right will continue to be governed by the same terms and conditions (including vesting conditions with respect to employees) as applied to the applicable FBR RSU immediately prior to the effective time. The FBR RSUs held by FBR's non-employee directors will vest as of immediately prior to the effective time and be settled following the effective time consistent with the terms of the award.

***FBR PSUs***

At the effective time, each outstanding performance stock unit of FBR, which we refer to as an FBR PSU, whether vested or unvested, will be converted into (i) a B. Riley stock-based RSU covering a number of B. Riley common shares equal to the product (rounded to the nearest whole number) of the exchange ratio of 0.671 and the number of FBR common shares subject to the FBR PSU based on the greater of (x) the number of FBR common shares that would be earned based on actual performance for the most recently completed fiscal quarter prior to the effective time, as reasonably determined by the compensation committee of the FBR board of directors and (y) the level of achievement resulting in 50% of the number of FBR common shares being earned, and (ii) the right to receive a cash payment in respect of the pre-closing dividend. After the effective time, the B. Riley stock-based RSU and the right to receive a cash payment in respect of the pre-closing dividend will continue to be governed by the same terms and conditions (excluding performance-based vesting conditions, but including time-based vesting conditions) as applied to the applicable FBR PSU immediately prior to the effective time.

***FBR Investor Option***

At the effective time, each FBR investor option, whether vested or unvested, will cease to represent an option to purchase FBR common shares and will be converted into an option, which we refer to as a B. Riley option, to purchase (i) a number of B. Riley common shares (rounded to the nearest whole number) equal to the product of (A) the number of FBR common shares subject to each such FBR investor option immediately prior to the effective time, multiplied by (B) the pre-closing dividend adjustment ratio, multiplied by (C) the exchange ratio of 0.671, (ii) at an exercise price per B. Riley common share (rounded up to the nearest whole cent) equal to the quotient of (A) the exercise price per FBR common share of such FBR investor option, divided by (B) the pre-closing dividend adjustment ratio, divided by (C) the exchange ratio of 0.671. After the effective time, the FBR investor options will continue to be governed by the same terms and conditions as applied to the applicable FBR investor option immediately prior to the effective time.

For the purposes of the merger agreement, the pre-closing dividend adjustment ratio means a fraction, the numerator of which is the final pre-dividend price and the denominator of which is the excess of the final pre-dividend prices over the per share pre-closing dividend.

**Exchange Procedures**

At or prior to the effective time, B. Riley will deposit or cause to be deposited with a nationally recognized financial institution selected by B. Riley with FBR's prior approval (which approval will not be unreasonably conditioned, withheld or delayed) B. Riley common shares in uncertificated form or book-entry form and cash to be exchanged for

FBR common shares in the merger, as well as any dividends or other distributions, if any.

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Upon surrender of certificates or book entry shares for cancellation along with the other documents described in the instructions, an FBR shareholder will receive:

a number of whole B. Riley common shares that such holder is entitled to receive, as described in The Merger Agreement Merger Consideration Conversion of FBR Common Shares above; and

and a check in the amount (after giving effect to any required tax withholdings as provided in the merger agreement) equal to any cash in lieu of fractional shares plus any unpaid non-stock dividends and any other dividends or other distributions that such holder has the right to receive pursuant to the merger agreement.

### ***Dividends and Distributions***

Until certificates or book-entry shares representing FBR common shares are surrendered for exchange, any dividends or other distributions with a record date after the effective time with respect to B. Riley common shares into which such FBR common shares may have been converted will not be paid. Following surrender of any such certificates or book-entry shares, the record holder thereof will be entitled to receive, without interest, any dividends or other distributions with a record date after the effective time payable with respect to the whole number of B. Riley common shares represented by such certificates or book-entry shares and paid prior to the surrender date, and at the appropriate payment date, the amount of dividends or other distributions payable with respect to B. Riley common shares represented by such certificates or book-entry shares with a record date after the effective time but before the surrender date and with a payment date after the issuance of B. Riley common shares issuable with respect to such certificates or book-entry shares.

### ***Transfers***

From and after the effective time, there will be no transfers on the share transfer books of FBR of any FBR common shares that were outstanding immediately prior to the effective time.

### ***Cash in Lieu of Fractional Shares***

No fractional B. Riley common shares will be issued upon the conversion of FBR common shares under the merger agreement. In lieu of the issuance of any such fractional share, B. Riley will pay to each former shareholder of FBR who otherwise would be entitled to receive such fractional share an amount in cash (rounded to the nearest cent) determined by multiplying (i) the average of the per share closing prices of B. Riley common shares on the Nasdaq (as reported in The Wall Street Journal (Northeast edition) or, if not reported thereby, another authoritative source) for 20 full trading days ending on the fifth business day prior to the closing date by (ii) the fraction of a share (rounded to the nearest thousandth when expressed in decimal form) of B. Riley common shares which such holder would otherwise be entitled to receive. No FBR shareholder will be entitled by virtue of the right to receive cash in place of fractional shares to any dividends, voting rights or other rights in respect of any fractional share of B. Riley common shares.

### ***Lost, Stolen or Destroyed Share Certificates***

If a certificate for FBR common shares has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of an affidavit as to that loss, theft or destruction and, if required by B. Riley, the posting of a bond to indemnify B. Riley against any claim that may be made against it with respect to such certificate.

***Withholding Rights***

B. Riley will be entitled to deduct and withhold any applicable taxes from the consideration otherwise payable to FBR shareholders and pay over such withheld amounts to the appropriate governmental entity. Any amount so withheld will be treated for all purposes of the merger agreement as having been paid to the FBR shareholder in respect of which the deduction and withholding was made by the surviving company or B. Riley.

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***Adjustments to Prevent Dilution***

In the event that, prior to the effective time or termination of the merger agreement, whichever is earlier, the issued and outstanding FBR common shares or securities convertible or exchangeable into or exercisable for FBR common shares or the issued and outstanding B. Riley common shares or securities convertible or exchangeable into or exercisable for B. Riley common shares are changed into a different number of shares or securities of a different class, as a result of a distribution, reclassification, stock split (including a reverse stock split), stock dividend or distribution, recapitalization, merger, issuer tender or exchange offer, or other similar transaction, or a stock dividend with a record date within such period has been declared, then the merger consideration (including the pre-closing dividend) will be equitably adjusted to provide the FBR shareholders and the B. Riley stockholders the same economic effect as contemplated by the merger agreement prior to such event.

**Representations and Warranties**

The merger agreement contains representations and warranties made by, on the one hand, FBR to B. Riley and merger sub and, on the other hand, by B. Riley and merger sub to FBR. Certain of the representations and warranties in the merger agreement are subject to materiality or material adverse effect qualifications (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct is material or would result in a material adverse effect). In addition, certain of the representations and warranties in the merger agreement are subject to knowledge qualifications, which means that those representations and warranties would not be deemed untrue, inaccurate or incorrect as a result of matters of which certain officers of the party making the representation did not and do not have actual knowledge. In addition, the representations and warranties contained in the merger agreement are subject to specified exceptions and qualifications in B. Riley and FBR's respective public filings with the SEC and the confidential disclosure letters that the parties have exchanged in connection with signing the merger agreement, which disclosure letters will not be reflected in the merger agreement or otherwise publicly disclosed and that are made for the purpose of, among other things, allocating contractual risk between B. Riley and FBR rather than establishing matters as facts, and may be subject to standards of materiality that differ from the standards relevant to investors. You should not rely on the representations, warranties, covenants or any description thereof as actual characterizations of the actual state of facts or condition of B. Riley, FBR, or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in public disclosures by B. Riley and FBR. The representations and warranties and other provisions of the merger agreement should not be read alone but, instead, should be read only in conjunction with the information provided elsewhere in this joint proxy statement/prospectus and in the documents incorporated by reference into this joint proxy statement/prospectus. See [Where You Can Find More Information](#).

For purposes of the merger agreement, a material adverse effect with respect to FBR or B. Riley, as the case may be, means any change, event, occurrence or effect that, individually or taken together with any other changes, events, occurrences or effects is, or would reasonably be expected to be, materially adverse to the financial condition, properties, assets, liabilities, business or results of operations of FBR and its subsidiaries taken as a whole, or B. Riley and its subsidiaries taken as a whole, as the case may be; provided, however, that none of the following, in and of itself or themselves, will be deemed to constitute a material adverse effect:

effects resulting from the worsening of geopolitical conditions or changes in the economy, credit, capital, securities or financial markets or political, regulatory or business conditions in the United States or any jurisdiction in which FBR or any of its subsidiaries or B. Riley or any of its subsidiaries, as the case may be,

operate or in which any of their respective products or services are sold (except such change, event, occurrence or effect will be taken into account in determining whether a material adverse effect has occurred if it disproportionately adversely affects FBR and its subsidiaries or B. Riley and its subsidiaries, as the case may be, compared to other companies of similar size operating in the industries in which such party operates but only to the extent of such disproportionate effect);

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changes that are the result of factors generally affecting the industries in which FBR and its subsidiaries or B. Riley and its subsidiaries, as the case may be, operate, including changes in laws affecting such industries (except such change, event, occurrence or effect will be taken into account in determining whether a material adverse effect has occurred if it disproportionately adversely affects FBR and its subsidiaries or B. Riley and its subsidiaries, as the case may be, compared to other companies of similar size operating in the industries in which such party operates but only to the extent of such disproportionate effect);

any loss of, or adverse change in, the relationship of FBR or any of its subsidiaries or B. Riley or any of its subsidiaries, as the case may be, contractual or otherwise, with governmental entities, self-regulatory organizations, customers, clearing brokers, suppliers, licensors, licensees, distributors, creditors, lessors, employees, independent contractors, business associates or similar relationship that were primarily the result of the entry into, announcement, pendency or performance of the transactions contemplated by the merger agreement;

changes in GAAP or in any law of general applicability after the date of the merger agreement (except such change, event, occurrence or effect will be taken into account in determining whether a material adverse effect has occurred if it disproportionately adversely affects FBR and its subsidiaries or B. Riley and its subsidiaries, as the case may be, compared to other companies of similar size operating in the industries in which such party operates but only to the extent of such disproportionate effect);

any failure by FBR or B. Riley, as the case may be, to meet any financial projections or forecasts or estimates of revenues or earnings for any period, but not the underlying causes thereof unless separately excluded;

a decline in the market price, or change in trading volume, of the FBR common shares or B. Riley common shares, as the case may be, on Nasdaq, but not the underlying causes thereof unless separately excluded;

any acts of terrorism, sabotage or wars, acts of God, natural disasters, weather conditions or other calamities (except such change, event, occurrence or effect will be taken into account in determining whether a material adverse effect has occurred if it disproportionately adversely affects FBR and its subsidiaries or B. Riley and its subsidiaries, as the case may be, compared to other companies of similar size operating in the industries in which such party operates but only to the extent of such disproportionate effect); or

any action taken by a party with the other party's consent or any action taken by a party that was required to be taken pursuant to the terms of the merger agreement (other than the requirement to operate in the ordinary and usual course and use reasonable best efforts to preserve business organizations intact and maintain existing relations and goodwill).

The merger agreement contains representations and warranties made by FBR to B. Riley and merger sub relating to a number of matters, including, among other things, the following:



organization, good standing and qualification to do business;

capital structure, including the number of FBR common shares and equity-based awards outstanding and reserved for issuance under the FBR equity plans;

the organization and existence of any subsidiaries;

requisite corporate authority relating to the execution, delivery and performance of the merger agreement and the consummation of the contemplated transactions, the requisite FBR shareholder approval, the enforceability of the merger agreement, the board recommendation and the receipt of a fairness opinion;

consents and approvals relating to the execution, delivery and performance of the merger agreement, including required filings with, and the consents and approvals of, government entities in connection with the transactions contemplated by the merger agreement;

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absence of conflicts with, or violations of, organizational documents, contracts or applicable laws as a result of the execution, delivery and performance of the merger agreement and the completion of the merger and the other transactions contemplated by the merger agreement;

filings with the SEC and the accuracy of the information contained therein;

internal controls over financial reporting and disclosure controls and procedures;

compliance with GAAP;

financial statements and fair presentation of consolidated financial position and results of operations;

conduct of business in the ordinary course consistent with past practice and the absence of a material adverse effect since December 31, 2015;

absence of certain litigation, orders, injunctions and undisclosed liabilities;

employee benefits matters;

labor matters;

compliance with applicable law and licenses, including the existence of investigations or reviews by governmental entities;

inapplicability of certain anti-takeover statutes or anti-takeover provisions in organizational documents;

environmental matters;

tax matters;

intellectual property matters;

insurance matters;

matters with respect to certain material contracts;

real property matters;

broker-dealer matters;

data protection and privacy matters;

brokers and finders fees payable in connection with the merger;

the absence of indebtedness; and

absence of action or circumstance that could reasonably be expected to prevent the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

The merger agreement also contains representations and warranties made by B. Riley and merger sub to FBR relating to a number of matters, including, among other things, the following:

organization, good standing and qualification to do business;

capital structure, including the number of B. Riley common shares and equity-based awards outstanding and reserved for issuance under the B. Riley equity plans;

requisite corporate authority relating to the execution, delivery and performance of the merger agreement and the consummation of the contemplated transactions, the requisite B. Riley stockholder approval, the enforceability of the merger agreement, the board recommendation and the B. Riley share issuance;

consents and approvals relating to the execution, delivery and performance of the merger agreement, including required filings with, and the consents and approvals of, government entities in connection with the transactions contemplated by the merger agreement;

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absence of conflicts with, or violations of, organizational documents, contracts or applicable laws as a result of the execution, delivery and performance of the merger agreement and the completion of the merger and the other transactions contemplated by the merger agreement;

filings with the SEC and the accuracy of the information contained therein;

internal controls over financial reporting and disclosure controls and procedures;

compliance with GAAP;

financial statements and fair presentation of consolidated financial position and results of operations;

conduct of business in the ordinary course and the absence of a material adverse effect since December 31, 2015;

absence of certain litigation, orders, injunctions and undisclosed liabilities;

compliance with applicable law, including the existence of investigations or reviews by governmental entities;

broker dealer matters;

inapplicability of certain anti-takeover statutes or anti-takeover provisions in organizational documents;

brokers and finders fees payable in connection with the merger; and

absence of action or circumstance that could reasonably be expected to prevent the merger, from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

The representations and warranties in the merger agreement do not survive the consummation of the merger and, as described below under The Merger Agreement Effect of Termination, if the merger agreement is validly terminated, there will be no liability under the representations and warranties of the parties, unless a party willfully and materially breached the merger agreement.

**Conduct of FBR's Business**

FBR has agreed as to itself and its subsidiaries that, except as otherwise expressly required by the merger agreement, required by applicable law, approved in writing by B. Riley or set forth in the FBR disclosure letter, after the date of

the merger agreement and prior to effective time (unless B. Riley otherwise approves in writing (such approval not to be unreasonably withheld, conditioned or delayed)), the business of FBR and its subsidiaries will be conducted in the ordinary and usual course and, to the extent consistent therewith, FBR and its subsidiaries will use their respective reasonable best efforts to preserve their business organization intact and maintain existing relations and goodwill with governmental entities, self-regulatory organizations, customers, clearing brokers, suppliers, licensors, licensees, distributors, creditors, lessors, employees, independent contractors and business associates and keep available the services of FBR and its subsidiaries present officers, employees, independent contractors and agents, except as required by applicable law.

In addition to the general covenants above, FBR has agreed that after the date of the merger agreement and prior to the effective time, except as otherwise expressly required by the merger agreement, required by applicable law, approved in writing by B. Riley (such approval not to be unreasonably withheld, conditioned or delayed) or set forth in the FBR disclosure letter, FBR will not, and will not permit its subsidiaries to:

adopt or propose any change in its articles of incorporation or bylaws or comparable governing documents;

merge or consolidate itself or any of its subsidiaries with any other person, except for any such transactions among its wholly owned subsidiaries, or restructure, reorganize or completely or partially liquidate or otherwise enter into any agreements or arrangements imposing material changes or restrictions on its assets, operations or businesses;

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acquire assets outside of the ordinary course of business from any other person in any transaction or series of related transactions, other than (A) acquisitions pursuant to and in accordance with the terms of contracts in effect as of the date of the merger agreement or (B) underwritten transactions and/or transactions effected pursuant to Rule 144A of the Securities Act, which are not in excess of \$20,000,000 in the aggregate

issue, sell, pledge, dispose of, grant, transfer, encumber, or authorize the issuance, sale, pledge, disposition, grant, transfer, lease, license, guarantee or encumbrance of, or otherwise enter into any contract or understanding with respect to the voting of, any shares of its capital stock or that of any of its subsidiaries (other than (A) the FBR voting agreements or (B) the issuance of shares (i) by its wholly owned subsidiary to it or another of its wholly owned subsidiaries, (ii) in respect of FBR options, shares of restricted stock of FBR, FBR RSUs and FBR PSUs outstanding as of the date of the merger agreement or permitted to be granted under the merger agreement, in each case, in accordance with their terms and, as applicable, FBR's 2006 Long Term Incentive Plan, as amended and restated, including each subplan thereof (including FBR's 2013 Performance Share Unit Program and FBR's 2016 Retention and Incentive Plan), as in effect on the date of the merger agreement, or (iii) pursuant to the FBR investor option), or securities convertible or exchangeable into or exercisable for any shares of such capital stock, or any options, warrants or other rights of any kind to acquire any shares of such capital stock or such convertible or exchangeable securities;

create or incur any encumbrance on any of its assets or any of its subsidiaries assets, except in the ordinary course of business;

make any loans, advances, guarantees or capital contributions to or investments in any person (other than to or from FBR and any of its wholly owned subsidiaries), except in connection with securities lending in the ordinary course of business or capital markets transactions in the ordinary course of business and not in excess of \$2,500,000;

declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock (except for (i) dividends paid by any direct or indirect wholly owned subsidiary to FBR or to any other direct or indirect wholly owned subsidiary or (ii) the pre-closing dividend);

reclassify, split, combine, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock or securities convertible or exchangeable into or exercisable for any shares of its capital stock;

incur any indebtedness (including the issuance of any debt securities, warrants or other rights to acquire any debt security), except in connection with securities lending in the ordinary course of business or capital markets transactions in the ordinary course of business and not in excess of \$2,500,000;

except to the extent specifically provided by, and consistent with the line items set forth in, FBR's capital budget, make or authorize any payment of, or accrual or commitment for, capital expenditures;

other than in the ordinary course of business consistent with past practice, enter into any contract that would have been a material contract had it been entered into prior to the merger agreement or amend, modify, supplement, waive, terminate, assign, convey, encumber or otherwise transfer, in whole or in part, rights or interest pursuant to or in any material contract, other than expirations of any such contract in the ordinary course of business in accordance with the terms of such contract, or cancel, modify or waive any debts or claims held by it or waive any rights, except in the ordinary course of business;

settle any action, suit, claim, hearing, arbitration, investigation or other proceedings (except in the ordinary course of business or for money damages not to exceed \$500,000 in the aggregate) or on a basis that would result in the imposition of any writ, judgment, decree, settlement, award, injunction or similar order of any governmental entity or self-regulatory organization that would restrict the future

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activity or conduct of FBR or any of its subsidiaries or a finding or admission of a violation of law or violation of the rights of any person or that is brought by any current, former or purported holders of any capital stock or debt securities of FBR or any of its subsidiaries relating to the merger or the other transactions contemplated by the merger agreement;

make any changes with respect to accounting policies or procedures, except as required by changes in GAAP;

take any action that would result in a material diminution for the net capital of FBR Capital Markets & Co. or MLV & Co. LLC, which we refer to as the FBR broker-dealer subsidiaries, not in the ordinary course of business consistent with past practice or a failure to comply with the net capital requirements of the SEC, FINRA and any self-regulatory organization applicable to the FBR broker-dealer subsidiaries, except the payment of the pre-closing dividend;

fail to duly and timely file all material reports and other material documents required to be filed with FINRA, the SEC or any other governmental entity or self-regulatory organization, subject to extensions permitted by law or applicable rules and regulations;

fail to maintain in full force and effect all insurance policies covering FBR and its subsidiaries and their respective properties, assets and businesses in a form and amount consistent with past practice;

make, change or revoke any material tax election, change an annual tax accounting period, adopt or change any material tax accounting method, file any amended tax return, enter into any closing agreement with respect to taxes, settle any material tax claim, audit, assessment or dispute, surrender any right to claim a refund of a material amount of taxes, take any action which is reasonably likely to result in a material increase in the tax liability of FBR or its subsidiaries, or, in respect of any taxable period (or portion thereof) ending after the closing date, the tax liability of B. Riley or its affiliates;

transfer, sell, lease, assign, divest, cancel or otherwise dispose of, or permit or suffer to exist the creation of any encumbrance upon, any assets, product lines or businesses material to it or any of its subsidiaries, including capital stock of any of its subsidiaries, except in connection with services provided in the ordinary course of business and sales of obsolete assets, other than pursuant to material contracts as in effect prior to the date of the merger agreement;

(A) sell, assign or otherwise transfer any intellectual property rights to any person, (B) grant any license, covenant not to sue, release, waiver or other right under any intellectual property rights to any person, except for non-exclusive licenses granted in the ordinary course of business consistent with past practice, or (C) cancel, abandon or allow to lapse or expire any material intellectual property rights;



except as required by applicable law or pursuant to the terms of any plan in effect as of the date of the merger agreement:

increase the cash compensation or benefits payable or to become payable to its directors, officers, employees or individual independent contractors, except, for employees who are not executive officers for purposes of Section 16 of the Exchange Act, increases in annual salary or wage rate in the ordinary course of business consistent with past practice that do not exceed 6% individually or 3% in the aggregate;

grant any rights to severance or termination pay to, or enter into any employment or severance agreement with, any director, officer or other employee of FBR or any FBR subsidiary;

take any action to amend or waive any vesting criteria or accelerate vesting, exercisability or funding under any plan or award granted thereunder;

become a party to, establish, adopt, materially amend, commence participation in or terminate any plan or any arrangement that would have been a plan had it been entered into prior to the merger agreement;

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grant any new awards, or amend or modify the terms of any outstanding awards, under any plan, subject to certain exceptions;

forgive any loans or issue any loans (other than routine travel advances issued in the ordinary course of business) to any FBR employee;

hire any employee or engage any independent contractor (who is a natural person) with an annual salary or wage rate or consulting fees in excess of \$200,000 individually or \$1,000,000 in the aggregate; or

terminate the employment of any executive officer other than for cause;

become a party to, establish, adopt, amend, commence participation in or terminate any collective bargaining agreement or other agreement with a labor union, works council or similar organization;

change in any material respect the cash management practices, policies or procedures of FBR or any of its subsidiaries with respect to collection of accounts receivable, establishment of reserves for uncollectible accounts receivable, accrual of accounts receivable, payment of accounts payable, purchases, prepayment of expenses or deferral of revenue, from FBR s and its subsidiaries practices, policies and procedures with respect thereto in the ordinary course of business consistent with past practice, including (i) taking (or omitting to take) any action that would have the effect of accelerating revenues, accelerating cash receipts or accelerating the collection of accounts receivable to pre-closing periods that would otherwise be expected to take place or be incurred in post-closing periods, or (ii) taking (or omitting to take) any action that would have the effect of delaying or postponing the payment of any accounts payable to post-closing periods that would otherwise be expected to be paid in pre-closing periods;

take any action or omit to take any action that is intended to or would reasonably be likely to result in any of the conditions to the merger not being satisfied; or

agree, authorize or commit to do any of the foregoing.

**B. Riley Forbearance**

B. Riley has agreed to a more limited set of restrictions on its business prior to the effective time. Specifically, B. Riley has agreed that after the date of the merger agreement and prior to the effective time (unless FBR otherwise approves in writing (such approval not to be unreasonably withheld, conditioned or delayed)), except as otherwise expressly required by the merger agreement, required by applicable law or set forth in the B. Riley disclosure letter, B. Riley will not, and will not permit its subsidiaries to:

adopt or propose any change in B. Riley's certificate of incorporation or bylaws in any manner that would prohibit the merger or the consummation of the other transactions contemplated by the merger agreement or would reasonably be expected to have a material and adverse impact on the value of B. Riley common shares that disproportionately affects the FBR shareholders;

declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock (except for dividends paid by any direct or indirect wholly owned subsidiary to B. Riley or to any other direct or indirect wholly owned subsidiary or for quarterly dividends on B. Riley common shares not in excess of 25% of B. Riley's adjusted EBITDA as to any given quarter calculated in a manner consistent with B. Riley's historical practices);

to the extent such action would prevent, materially delay or materially impair the ability of B. Riley or merger sub to consummate the merger, make any repurchase or other acquisition of any outstanding B. Riley common shares (other than repurchases or other acquisitions of B. Riley common shares in open market transactions at market prices or in connection with an accelerated share repurchase transaction or similar transaction on customary terms);

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split, combine, reduce or reclassify any of its issued or unissued shares of its capital stock, or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for, any shares of its capital stock in any manner that would reasonably be expected to have a material and adverse impact on the value of B. Riley common shares;

take any action or omit to take any action that is intended to or would reasonably be likely to result in any of the conditions to the merger not being satisfied;

merge or consolidate merger sub with any other person (other than FBR);

issue, sell, pledge, dispose of, grant, transfer, encumber, or authorize the issuance, sale, pledge, disposition, grant, transfer, lease, license, guarantee or encumbrance of, or otherwise enter into any contract or understanding with respect to the voting of, any membership interests of merger sub, or securities convertible or exchangeable into or exercisable for any such membership interests, or any options, warrants or other rights of any kind to acquire any membership interests or such convertible or exchangeable securities; or

agree, authorize or commit to do any of the foregoing.

**No Solicitation or Negotiation of Acquisition Proposals**

FBR was required upon the execution of the merger agreement to, and to cause its subsidiaries and representatives to, immediately cease and cause to be terminated any discussions and negotiations with any person conducted prior to execution of the merger agreement with respect to any acquisition proposal, or proposal that would reasonably be expected to lead to an acquisition proposal. FBR will also promptly deliver a written notice to each such person providing only that FBR is ending all discussions and negotiations with such person with respect to any acquisition proposal or proposal or transaction that would reasonably be expected to lead to an acquisition proposal and informing such persons of their obligations under the merger agreement and requesting the prompt return or destruction of all confidential information concerning FBR and any of its subsidiaries. FBR will also promptly terminate all physical and electronic data access previously granted to such persons. The merger agreement also provides that, until the earlier of the termination of the merger agreement and the effective time, FBR will not and none of its subsidiaries nor any of the directors, officers and employees of FBR or its subsidiaries will, and FBR will use its reasonable best efforts to instruct and cause its and its subsidiaries' representatives not to, directly or indirectly:

initiate, solicit, propose, knowingly encourage or knowingly facilitate any inquiry or the making of any proposal or offer that constitutes, or would reasonably be expected to lead to, an acquisition proposal (other than discussions solely to clarify such proposal or offer);

engage in, continue or otherwise participate in any discussions with or negotiations relating to any acquisition proposal or any inquiry, proposal or offer that would reasonably be expected to lead to an acquisition proposal (other than to state that the terms of the merger agreement prohibit such discussions);

provide any information to any person in connection with any acquisition proposal or any proposal or offer that would reasonably be expected to lead to an acquisition proposal; or

otherwise knowingly facilitate any effort or attempt to make an acquisition proposal.

For purposes of the merger agreement, an acquisition proposal means, other than the transactions contemplated by the merger agreement:

any proposal, offer, inquiry or indication of interest relating to a merger, joint venture, partnership, consolidation, dissolution, liquidation, tender offer, recapitalization, reorganization, spin-off, share exchange, business combination or similar transaction involving FBR or any of its subsidiaries; or

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any acquisition by any person or group resulting in, or any proposal, offer, inquiry or indication of interest that if consummated would result in, any person or group becoming the beneficial owner of, directly or indirectly, in one or a series of related transactions, 15% or more of the total voting power or of any class of equity securities of FBR or any of its subsidiaries, or 15% or more of the consolidated net revenues, net income or total assets of FBR.

***Fiduciary Exception***

Notwithstanding the foregoing, at any time prior to obtaining the requisite FBR shareholder approval, but not after, in response to an unsolicited, bona fide written acquisition proposal and if, and only if, prior to taking such action the FBR board of directors determines in good faith, after consultation with outside legal counsel that (A) based on the information then available and after consultation with its independent financial advisor that such acquisition proposal either constitutes a superior proposal or would reasonably be expected to result in a superior proposal and (B) such action is reasonably necessary in order for the directors of FBR to comply with their fiduciary duties under applicable law, FBR may:

provide information in response to a request therefor (including non-public information regarding FBR or any of its subsidiaries) to the person who made such acquisition proposal, as long as such information has previously been made available to, or is made available to, B. Riley prior to or concurrently with the time such information is made available to such person and that, prior to furnishing any such information, FBR receives from the person making such acquisition proposal an executed confidentiality agreement with terms not less restrictive to the other party than the terms in the Confidentiality Agreement, dated as of September 29, 2016, between FBR and B. Riley are on B. Riley (except that such confidentiality agreement does not need to prohibit the making or amending of an acquisition proposal to the extent such acquisition proposal is made directly to FBR); or

participate in any discussions or negotiations with such person regarding such acquisition proposal.

For purposes of the merger agreement, a superior proposal means, an unsolicited bona fide written acquisition proposal made after the date of the merger agreement that would result in person or group becoming the beneficial owner of, directly or indirectly, more than 50% of the total voting power of the equity securities of FBR or more than 50% of the consolidated net revenues, net income or total assets of FBR that the FBR board of directors has determined in good faith, after consultation with outside legal counsel and an independent financial advisor, taking into account all legal, financial, financing and regulatory aspects of the proposal, the identity of the persons or entities making the proposal and the likelihood of the proposal being consummated in accordance with its terms, that, if consummated, would result in a transaction (A) that is more favorable to FBR's shareholders from a financial point of view than the transactions contemplated by the merger agreement (B) is reasonably likely to be completed, taking into account any regulatory, financing or approval requirements and (C) for which financing, if a cash transaction (in whole or in part) is fully committed (after taking into account any revisions to the terms of the merger agreement proposed by B. Riley).

***Notice***

FBR must promptly (and in any event within 24 hours) give notice to B. Riley if (i) any inquiries, proposals or offers with respect to an acquisition proposal are received by, (ii) any information is requested in connection with any acquisition proposal from, or (iii) any discussions or negotiations with respect to an acquisition proposal are sought to be initiated or continued with, it or any of its representatives, setting forth in such notice the name of such person and

the material terms and conditions of any proposals or offers (including, if applicable, complete copies of any written requests, proposals or offers, including proposed agreements), and keep B. Riley reasonably informed on a current basis (and in any event within 24 hours) of the status and terms of any such proposals or offers (including any amendments thereto) and the status of any such discussions or negotiations, including any change in its intentions as previously notified.

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**No Change in Recommendation or Alternative Acquisition Agreement**

Subject to certain exceptions described below, the FBR board of directors and each committee of the FBR board of directors may not:

withhold, withdraw, qualify or modify (or publicly propose or resolve to withhold, withdraw, qualify or modify), in each case in a manner adverse to B. Riley, the FBR board of director's recommendation that FBR shareholders vote to approve the merger agreement, which recommendation we refer to as the FBR board recommendation;

approve or recommend, or publicly declare advisable or publicly propose to enter into, any alternative acquisition agreement and which, combined with the preceding bullet, we refer to as a change of recommendation; or

cause or permit FBR to enter into any such alternative acquisition agreements.

***Fiduciary Exception***

Notwithstanding the foregoing, at any time prior to obtaining the requisite FBR shareholder approval, but not after, the FBR board of directors may effect a change of recommendation in connection with an acquisition proposal made after the date of the merger agreement that did not arise from or in connection with a material breach, if:

an unsolicited, bona fide written offer is made to FBR and is not withdrawn;

the FBR board of directors determines in good faith, after consultation with outside counsel and its independent financial advisor, that:

such offer constitutes a superior proposal; and

such action is reasonably necessary in order for the directors to comply with their fiduciary duties under applicable law;

FBR has given B. Riley prior written notice at least four business days before taking such action;

after giving such notice and prior to effecting a change of recommendation in connection with a superior proposal, FBR negotiates in good faith with B. Riley (to the extent B. Riley wishes to negotiate) to make such revisions to the terms of the merger agreement as would permit the FBR board of directors not to effect a change of recommendation in connection with a superior proposal; and



at the end of such four-business day period, prior to taking action to effect a change of recommendation in response to a superior proposal, FBR has taken into account any change to the terms of the merger agreement proposed by B. Riley in writing and any other information offered by B. Riley in response to the notice and has determined in good faith that the superior proposal would continue to constitute a superior proposal if such changes offered in writing were to be given effect.

For clarity, any modification to any acquisition proposal is deemed a new acquisition proposal and will require FBR to again comply with the above requirements, except that the four-business-day notice period described above is reduced to three business days with respect to such revised acquisition proposal.

***Certain Permitted Disclosure***

Nothing in the merger agreement will prohibit FBR from complying with its disclosure obligations under U.S. federal or state law with regard to an acquisition proposal; provided that, if such disclosure (other than a

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stop, look and listen or similar communication of the type contemplated by Rule 14d-9(f) under the Exchange Act) has the effect of withdrawing or adversely modifying the FBR board recommendation, such disclosure will be deemed to be a change of recommendation and B. Riley will have the right to terminate the merger agreement as described below in *The Merger Agreement* Termination of the Merger Agreement.

### ***Limitation on Release of Standstills***

From the date of the merger agreement until the earlier of the termination of the merger agreement and the effective time, FBR may not terminate, amend, modify or waive any provision of any confidentiality, standstill or similar agreement to which FBR or any of its subsidiaries is a party and must enforce, to the fullest extent permitted under applicable law, the provisions of any such agreement, including by obtaining injunctions to prevent any breaches of such agreements and to enforce specifically the terms and provisions thereof. However, FBR will be permitted to terminate, amend, modify, waive or fail to enforce any provision of any confidentiality, standstill or similar obligation of any person if the FBR board of directors determines in good faith, after consultation with its outside legal counsel, that such action is reasonably necessary in order for the directors to comply with their fiduciary duties under applicable law.

### **Regulatory Matters**

B. Riley and FBR have agreed to promptly prepare and file with the SEC this joint proxy statement/prospectus and B. Riley has agreed to promptly as practicable prepare and file the registration statement on Form S-4, which we refer to as the registration statement, which includes this joint proxy statement/prospectus. Each of B. Riley and FBR has agreed to use its reasonable best efforts to have the registration statement declared effective under the Securities Act as promptly as practicable after such filing, to maintain such effectiveness for as long as necessary to consummate the merger and the other transactions contemplated by the merger agreement, and to promptly thereafter mail the joint proxy statement/prospectus to their respective shareholders.

Subject to the terms and conditions of the merger agreement, B. Riley and FBR have agreed to cooperate with each other and use (and cause their respective subsidiaries to use) their respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under the merger agreement and applicable laws to consummate and make effective the merger and the other transactions contemplated by the merger agreement as soon as reasonably practicable, including as promptly as reasonably practicable:

preparing and filing all documentation to effect all necessary notices, reports and other filings; and

obtaining all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any governmental entity and/or any self-regulatory organization in order to consummate the merger or any of the other transactions contemplated by the merger agreement, including using their reasonable best efforts to agree to any requirements or remedies imposed by any applicable governmental entity.

For a more complete discussion of the regulatory approvals required to complete the transaction and the terms of the merger agreement related to regulatory approvals, see the section entitled *The Merger* Regulatory Approvals Required for the Merger.

**Stockholders Meetings**

Each party has agreed to take all actions necessary to convene a meeting of its shareholders as promptly as practicable after the registration statement is declared effective to consider and vote upon the proposals necessary to consummate the merger, and each party has agreed to recommend to its stockholders that they adopt or approve such proposals, and each has agreed to take all lawful action to solicit such adoptions or approvals.

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The obligation of FBR to hold the FBR special meeting and to submit the merger agreement to the FBR shareholders to obtain the requisite FBR shareholder approval at the FBR special meeting or any adjournment, recess or postponement thereof will not be effected by a change of recommendation unless the merger agreement has been terminated in accordance with its terms.

Either of the parties may, or at the request of the other party will, postpone, recess or adjourn, or make one or more successive postponements, recesses or adjournments of the respective meeting for up to 10 calendar days in any single instance or up to 20 calendar days in the aggregate, if on the date that is two business days prior to the date the respective meeting is then scheduled:

the respective party has not received proxies representing the requisite FBR shareholder approval or the requisite B. Riley stockholder approval, as applicable, whether or not a quorum is present; or

such action is necessary to ensure that any supplement or amendment to this joint proxy statement/prospectus is required to be delivered.

## **Nasdaq Listing**

Prior to the closing date, FBR has agreed to cooperate with B. Riley and use reasonable best efforts to take, or cause to be taken, all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under applicable laws and rules and policies of Nasdaq to enable the delisting by B. Riley of the FBR common shares from Nasdaq and the deregistration of the FBR common shares under the Exchange Act as promptly as practicable after the effective time, and in any event no more than 10 days after the effective time.

## **Employee Matters**

Each FBR employee who continues to be employed by B. Riley or one of its subsidiaries following the effective time, whom we refer to as a continuing employee, will receive the following benefits:

through the first anniversary of the closing date of the merger, a base salary or base wage rate that is no less favorable than that provided to such continuing employee immediately prior to the effective time;

during the calendar year in which the effective time occurs, incentive compensation opportunities that are no less favorable than those provided to such continuing employee immediately prior to the effective time, and other compensation and employee benefits pursuant to the terms of FBR's benefit plans as in effect immediately prior to the effective time (except for any amendments thereto that are required by applicable law and that, if FBR's 401(k) plan is terminated, continuing employees will be immediately eligible to participate in a 401(k) plan maintained by B. Riley, as described below); and

during the calendar year commencing immediately following the calendar year in which the effective time occurs, incentive compensation opportunities that are no less favorable than those provided by B. Riley to similarly situated employees of B. Riley or any of its subsidiaries, and other compensation and benefits that

are no less favorable than those provided by B. Riley to similarly situated employees of B. Riley. For purposes of eligibility, vesting and levels of benefits under the benefit plans of B. Riley and its subsidiaries after the closing, continuing employees will be credited with their service immediately before the effective time to the same extent that they were entitled to such service credit under any comparable FBR benefit plan prior to the effective time. In addition, B. Riley will (i) waive all limitations as to preexisting conditions exclusions, actively at work requirements, waiting periods and insurability requirements with respect to participation and coverage requirements applicable to the continuing employees (and any dependents or beneficiaries thereof) under any welfare benefit plans that such employees may be eligible to participate in after the effective time (except to the extent applicable under any FBR benefit plans immediately prior to the effective time) and (ii) cause any co-payments, deductibles and other out-of-pocket expenses incurred by a continuing

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employee during the plan year that includes the effective time to be credited for purposes of satisfying all deductible, co-payment and maximum out-of-pocket requirements applicable to such continuing employee and his or her covered dependents for the applicable plan year of each comparable B. Riley benefit plan, as if such amounts had been paid in accordance with such plan.

Prior to the closing date, FBR will, if requested by B. Riley, cause its 401(k) plan to terminate effective as of immediately prior to the effective time. In such an event, FBR and B. Riley will take any and all actions as may be required to permit the continuing employees to participate in a 401(k) plan maintained by B. Riley as of the effective time, and to rollover the full account balance (including loans and B. Riley common shares) distributed to such employee from the FBR 401(k) plan into the applicable B. Riley 401(k) plan.

Under the merger agreement, B. Riley has agreed to establish a retention pool under which B. Riley stock-based RSUs will be allocated to FBR employees, including executive officers, in amounts and on terms as are mutually agreed between the Chief Executive Officer of FBR (or his designee) and the Chief Executive Officer of B. Riley (or his designee), with the grants to be made subject to, and effective upon, the effective time.

**Indemnification; Directors and Officers Insurance**

From and after the effective time, B. Riley will indemnify and hold harmless, to the extent provided pursuant to the FBR articles as of the date of the merger agreement, each present and former director, officer and employee of FBR or any of its subsidiaries (in each case, when acting in such capacity), which we refer to as the indemnified parties, against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such indemnified parties' service as a director, officer or employee of FBR or its subsidiaries or services performed by such person at the request of FBR or its subsidiaries at or prior to the effective time, whether asserted or claimed prior to, at or after the effective time, including actions to enforce this provision or any other indemnification or advancement right of any indemnified party, except that any person to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined by final adjudication that such person is not entitled to indemnification. B. Riley is not required to indemnify any indemnified party if it is determined that the indemnified party acted in bad faith and not in a manner such party believed to be in or not opposed to the best interests of FBR.

Prior to the effective time, FBR will or if FBR is unable to, B. Riley will as of the effective time obtain and fully pay the premium for tail insurance policies for the extension of (i) the directors' and officers' liability coverage of FBR's existing directors' and officers' insurance policies, and (ii) FBR's existing fiduciary liability insurance policies, in each case providing coverage that serves to reimburse the present and former officers, directors and employees of FBR with respect to events arising from facts or events which occurred before the effective time for a claims reporting or discovery period of six years from and after the effective time from one or more insurance carriers with the same or better credit rating as FBR's insurance carrier as of the date of the merger agreement with respect to directors' and officers' liability insurance and fiduciary liability insurance, with terms, conditions, retentions and limits of liability that are at least as favorable to the insureds as FBR's existing policies with respect to matters existing or occurring at or prior to the effective time (including in connection with the merger agreement or the transactions or actions contemplated hereby). If FBR and B. Riley for any reason fail to obtain such tail insurance policies as of the effective time, B. Riley will continue to maintain in effect for the six years from and after the effective time the insurance policies in place as of the date of the merger agreement with terms, conditions, retentions and limits of liability that are at least as favorable to the insureds as provided in FBR's existing policies as of the date of the merger agreement, or B. Riley will purchase comparable insurance policies for the six years from and after the effective time with terms, conditions, retentions and limits of liability that are at least as favorable as provided in FBR's existing policies as of the

date of the merger agreement. FBR or B. Riley is not required to expend in the aggregate for such six-year period, an amount in excess of 300% of the aggregate annual premiums paid as of the date of the merger agreement by FBR

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for such purpose. If any such annual expense would exceed that amount, then B. Riley will obtain a policy with the greatest coverage available for a cost not exceeding such amount.

### **Pre-Closing Dividend**

FBR may, prior to the closing but not earlier than the 15th day prior to the anticipated closing date, declare and cause FBR to pay a cash dividend, which we refer to as the pre-closing dividend, to the FBR shareholders in an amount per FBR common share, which we refer to as the per share pre-closing dividend, as determined as follows:

if dividend funds are equal to or less than \$33,500,000 plus any amounts necessary to pay any accrued transaction expenses (as described below), there will be no pre-closing dividend; or

if dividend funds are in excess of \$33,500,000 plus any amounts necessary to pay any accrued transaction expenses, which we refer to such excess as available funds, then to the extent that available funds would result in a dividend per share on a fully diluted company equity (as described below) basis up to and including \$8.50, a dividend equal to the quotient of available funds divided by fully diluted company equity, which we refer to as the base pre-closing dividend per share amount; and

in addition, if available funds exceed the amount that would result in a dividend per share of fully-diluted company equity of \$8.50, which excess we refer to as the additional available funds, then the pre-closing dividend may be increased as follows:

if additional available funds are in excess of \$5,000,000, which excess we refer to as the excess available funds, an additional amount equal to the quotient of (i)(y) the product of excess available funds and (z) 0.70 divided by (ii) fully diluted company equity, which we refer to as the additional pre-closing dividend per share amount. Solely for purposes of the foregoing, the value of any financial instruments owned at fair value (described below) acquired after the date of the merger agreement to the extent in the aggregate in excess of \$5,000,000 will be reduced by 50%.

For purposes of the merger agreement:

**dividend funds** means the dollar value of all cash and cash equivalents and financial instruments owned at fair value of FBR as determined in accordance with GAAP consistently applied with the consolidated balance sheets included in FBR's reports filed or furnished to the SEC, as of immediately prior to the effective time;

**fully diluted company equity** means the total number of FBR common shares outstanding as of immediately prior to the effective time, determined on a fully diluted, as-if-exercised basis and assuming the exercise and settlement of all FBR equity awards;



transaction expenses means (x) all unpaid fees and expenses incurred by or charged to FBR or any of its subsidiaries through the effective time (including those that become due as a result of the closing) in connection with the merger agreement and the transactions contemplated by the merger agreement, including legal fees and related expenses, investment banking and opinion fees and related expenses and accounting fees and related expenses, (y) any accrued but unpaid compensation expenses related to any products, services or transactions for which cash and cash equivalents have been received prior to the closing, and (z) an amount equal to the commencement bonus payable to FBR's chief executive officer pursuant to the employment agreement entered into between such officer and B. Riley as of the date of the merger agreement;

cash and cash equivalents has the meaning so classified under the applicable line item of FBR's consolidated balance sheets contained in FBR's reports filed or furnished to the SEC; and

financial instruments owned at fair value has the meaning so classified under the applicable line item of FBR's consolidated balance sheets contained in FBR's reports filed or furnished to the SEC.

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Giving effect to the pre-closing dividend, FBR must have dividend funds as of immediately prior to the effective time not less than \$33,500,000 plus any amounts necessary to pay any accrued transaction expenses, which we refer to as the minimum cash and financial instrument amount.

## **Other Covenants and Agreements**

The merger agreement contains certain other covenants and agreements, including, among others, covenants relating to:

each of FBR and B. Riley affording the other reasonable access to its employees, agents, contracts, books and records, properties, offices and other facilities as well as information concerning itself, its subsidiaries, directors, officers and shareholders;

press releases and public statements relating to the merger agreement or the transactions contemplated by the merger agreement;

neither FBR nor B. Riley taking or causing any action that could reasonably be expected to prevent the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code;

costs and expenses incurred in connection with the preparation, negotiation, execution and performance of the merger agreement and the merger and the other transactions contemplated by the merger agreement;

if a takeover statute becomes applicable to the merger or other transactions contemplated by the merger agreement, each of B. Riley and FBR and their respective boards of directors will grant such approvals and take such actions as are necessary so that such transactions may be consummated as promptly as practicable on the terms contemplated by the merger agreement;

each of FBR and B. Riley and their respective boards of directors or committees of non-employee directors taking all such actions as may be necessary or appropriate to cause the transactions contemplated by the merger agreement and any other dispositions of equity securities of FBR (including derivative securities) or acquisitions of B. Riley shares (including derivative securities) in connection with the transactions contemplated by the merger agreement by any individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to FBR or will become subject to such reporting requirements with respect to B. Riley, to be exempt under Rule 16b-3 promulgated under the Exchange Act, to the extent permitted by applicable law; and

FBR providing B. Riley the opportunity to participate in the defense or settlement of shareholder litigation against FBR or its directors relating to the merger and the other transactions contemplated by the merger agreement.

## **Conditions to the Merger**

***Conditions to Each Party's Obligations***

The respective obligations of each of B. Riley, merger sub and FBR to effect the merger are subject to the satisfaction or waiver at or prior to closing of the following conditions:

the approval of the merger agreement by the holders of a majority of the outstanding FBR common shares as of the record date at the FBR special meeting;

the approval of the issuance of B. Riley common shares by the holders of a majority of the aggregate number of the votes cast on such proposal at the B. Riley annual meeting;

the waiting period applicable to the consummation of the merger under the HSR Act having expired or been earlier terminated and FINRA having delivered to the FBR broker-dealer subsidiaries written approval of each broker-dealer subsidiary's Continuing Membership Application pursuant to FINRA's

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NASD Rule 1017 in connection with the merger; provided, however, that if FINRA does not deem such Continuing Membership Applications eligible for Fast-Track Review and process the Continuing Membership Applications as such, this condition will be satisfied with respect to approval by FINRA if either:

the FBR broker-dealer subsidiaries having otherwise received the written approval of FINRA for the transactions contemplated by the merger agreement pursuant to FINRA's NASD Rule 1017; or

(A) FINRA having not indicated to B. Riley or FBR (through the implementation of interim restrictions or otherwise) that B. Riley and FBR are not permitted to, or otherwise should not, consummate the merger prior to receiving FINRA's written approval, (B) 45 calendar days having elapsed after the filing of the Continuing Membership Applications, (C) B. Riley or FBR having thereafter notified FINRA that the parties intend to consummate the closing pursuant to FINRA's NASD Rule 1017 without written approval from FINRA and (D) FINRA not having informed the parties within the 15 calendar days following the notification contemplated in (C) that it would impose any term, condition or consequence the acceptance of which would constitute a burdensome condition; and

no court or other governmental entity of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the merger or the other transactions contemplated by the merger agreement; and

the registration statement of which this joint proxy statement/prospectus forms a part having become effective under the Securities Act, no stop order suspending the effectiveness of the registration statement having been issued and in effect, and no proceedings for that purpose having been commenced or threatened by the SEC unless subsequently withdrawn.

***Conditions to Obligations of B. Riley and Merger Sub***

The obligations of B. Riley and merger sub to effect the merger are also subject to the satisfaction or waiver by B. Riley at or prior to the closing of the following conditions:

certain of the representations and warranties of FBR with respect to its capital structure must, both on the date of the merger agreement and at the closing (unless such representation and warranty speaks as of a particular date or period of time, in which case such representation and warranty must be true and correct as of such particular date or period of time), be true and correct, except for any de minimis inaccuracies;

the representation and warranty of FBR that there has been no FBR material adverse effect must, both on the date of the merger agreement and at the closing, be true and correct;

certain representations and warranties of FBR with respect to corporate authority and approval of the transaction and receipt of a financial advisor opinion, takeover statues and brokers and finders must, both on the date of the merger agreement and at the closing (unless such representation and warranty speaks as of a particular date or period of time, in which case such representation and warranty must be true and correct in all material respects as of such particular date and period of time), be true and correct in all material respects;

all other representations and warranties of FBR in the merger agreement must, both on the date of the merger agreement and at the closing (unless such representation and warranty speaks as of a particular date or period of time, in which case such representation and warranty must be true and correct as of such particular date or period of time), be true and correct, unless the failure of such representation and warranty to be so true and correct (without giving effect to any qualification by materiality or material adverse effect) would not, individually or in the aggregate, reasonably be expected to have a material adverse effect;

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FBR having performed in all material respects all obligations required to be performed by FBR under the merger agreement at or prior to the closing date;

FBR having the minimum cash and financial instrument amount at the time of the closing;

B. Riley having received a certificate on behalf of FBR signed by FBR's Chief Executive Officer, certifying that the conditions set forth in the first six bullets above have been satisfied

FINRA having delivered to each FBR broker-dealer subsidiary written approval of each such broker-dealer subsidiary's Continuing Membership Application pursuant to FINRA's NASD Rule 1017 in connection with the merger; provided, however, that if FINRA does not deem such Continuing Membership Applications eligible for Fast-Track Review and process the Continuing Membership Applications as such, this condition will be satisfied with respect to approval by FINRA if either:

the FBR broker-dealer subsidiaries having otherwise received the written approval of FINRA for the transactions contemplated by the merger agreement pursuant to FINRA's NASD Rule 1017; or

(A) FINRA having not indicated to B. Riley or FBR (through the implementation of interim restrictions or otherwise) that B. Riley and FBR are not permitted to, or otherwise should not, consummate the merger prior to receiving FINRA's written approval, (B) 45 calendar days have elapsed after the filing of the Continuing Membership Applications, (C) B. Riley or FBR have thereafter notified FINRA that the parties intend to consummate the closing pursuant to FINRA's NASD Rule 1017 without written approval from FINRA and (D) FINRA has not informed the parties within the 15 calendar days following the notification contemplated in (C) that it would impose any term, condition or consequence the acceptance of which would constitute a burdensome condition; and

B. Riley having received the opinion of Sullivan & Cromwell LLP, in form and substance reasonably satisfactory to B. Riley, dated as of the closing date, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

***Conditions to Obligations of FBR***

The obligation of FBR to effect the merger is also subject to the satisfaction or waiver by FBR at or prior to the closing of the following conditions:

the representations and warranties of B. Riley and merger sub with respect to their respective capital structures must, both on the date of the merger agreement and at the closing (unless such representation and warranty speaks as of a particular date or period of time, in which case such representation and warranty must be true and correct as of such particular date or period of time), be true and correct, except for any de minimis inaccuracies;

the representation and warranty of B. Riley that there has been no B. Riley material adverse effect must, both on the date of the merger agreement and at the closing, be true and correct;

the representations and warranties of B. Riley and merger sub with respect to corporate authority and approval of the transaction, takeover statues and brokers and finders must, both on the date of the merger agreement and at the closing (unless such representation and warranty speaks as of a particular date or period of time, in which case such representation and warranty must be true and correct in all material respects as of such particular date and period of time), be true and correct in all material respects;

all other representations and warranties of B. Riley and merger sub in the merger agreement must, both on the date of the merger agreement and at the closing (unless such representation and warranty speaks as of a particular date or period of time, in which case such representation and warranty must be true and correct as of such particular date or period of time), be true and correct, unless the failure of such

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representation and warranty to be so true and correct (without giving effect to any qualification by materiality or material adverse effect) would not, individually or in the aggregate, reasonably be expected to have a material adverse effect;

B. Riley and merger sub having performed in all material respects all obligations required to be performed by B. Riley and merger sub under the merger agreement at or prior to the closing;

FBR having received a certificate on behalf of B. Riley and merger sub signed by B. Riley's Chief Executive Officer, certifying that the conditions set forth in the first five bullets above have been satisfied; and

FBR having received the opinion of Wachtell, Lipton, Rosen & Katz, in form and substance reasonably satisfactory to FBR, dated as of the closing date, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

**Termination of the Merger Agreement**

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time:

by mutual written consent of B. Riley and FBR;

by either B. Riley or FBR if:

the merger has not been consummated by the outside date, which we refer to as an outside date termination;

the requisite FBR shareholder approval has not been obtained at the FBR special meeting or at any adjournment, recess or postponement thereof in accordance with the merger agreement at which a vote on the approval of the FBR merger proposal was taken, which we refer to as a no-vote termination;

the requisite B. Riley stockholder approval has not been obtained at the B. Riley annual meeting or at any adjournment, recess or postponement thereof in accordance with the merger agreement at which a vote on the approval of the B. Riley share issuance proposal was taken;

any order permanently restraining, enjoining or otherwise prohibiting the consummation of the merger becomes final and nonappealable;



there has been a breach by FBR, in the case of a termination by B. Riley, or by B. Riley or merger sub, in the case of a termination by FBR, of any of their respective representations, warranties, covenants or agreements set forth in the merger agreement, or if any representation or warranty of FBR, in the case of a termination by B. Riley, or B. Riley or merger sub, in the case of a termination by FBR, have become untrue such that the respective party's closing conditions would not be satisfied (and such breach or failure to be true and correct is not curable prior to the outside date, or if curable prior to the outside date, has not been cured within the earlier of 30 calendar days following notice to the breaching party or three business days prior to the outside date); or

by B. Riley prior to the time FBR shareholder approval is obtained, if the FBR board of directors has:

materially breached certain of its obligations described in The Merger Agreement No Solicitation or Negotiation of Acquisition Proposals or The Merger Agreement No Change in Recommendation or Alternative Acquisition Agreement;

failed to include the FBR recommendation in this joint proxy statement/prospectus;

made a change of recommendation; or

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failed to recommend, within 10 business days after the commencement of a tender or exchange offer for outstanding FBR common shares (other than by B. Riley or one of its affiliates), against acceptance of such tender offer or exchange offer by its shareholders.

We refer to any termination by B. Riley as described in the preceding four bullets collectively as a termination for FBR adverse recommendation matters.

## **Effect of Termination**

Except as described below in The Merger Agreement Termination Fee, if the merger agreement is validly terminated, the merger agreement will become void and of no effect with no liability to any person on the part of B. Riley or FBR (or any of its representatives or affiliates), except that (i) neither FBR nor B. Riley will be relieved from any liabilities or damages to the other party resulting from any willful and material breach of the merger agreement, and (ii) the confidentiality agreement and the provisions of the merger agreement relating to termination fees and certain other technical provisions, including, but not limited to, expenses, will continue in effect.

## **Termination Fee**

FBR must pay B. Riley a termination fee of \$5,000,000 in the event that:

B. Riley effects a termination for FBR adverse recommendation matters; or

each of the following occurs:

B. Riley or FBR effects an outside date termination or a no-vote termination;

a bona fide acquisition proposal has been made to FBR and its shareholders generally (whether or not conditional) or any person has publicly announced an intention to make an acquisition proposal (and such acquisition proposal or publicly announced intention has not been publicly withdrawn on a bona fide basis without qualification at least 10 business days prior to an outside date termination or at least five business days prior to the FBR special meeting in connection with a no-vote termination); and

within 12 months after such termination, FBR or any of its subsidiaries enters into an alternative acquisition agreement or consummates or approves or recommends to FBR's shareholders or otherwise does not oppose, an acquisition proposal, which acquisition proposal is subsequently consummated (even if such consummation occurs after such 12-month period), or an acquisition proposal is otherwise consummated with respect to FBR (for these purposes references to 15% in the definition of acquisition proposal are deemed to be references to 50% and certain transactions included in the definition of acquisition proposal will require shareholders of FBR immediately prior to such transaction to hold less than 50% of the equity in the surviving entity).

## **Amendments and Waivers**

Subject to the provisions of applicable law and at any time prior to the effective time, the merger agreement may be amended, modified or waived if, and only if, such amendment, modification or waiver is in writing and signed, in the case of an amendment or modification, by B. Riley, merger sub and FBR, or in the case of a waiver, by the party against whom the waiver is to be effective.

**Specific Performance; Remedies**

If for any reason any of the provisions of the merger agreement are not performed in accordance with their specific terms or are otherwise breached, B. Riley and FBR have agreed, pursuant to the terms of the merger

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agreement, that, in addition to any other available remedies in equity or at law, each party to the merger agreement will be entitled to enforce specifically the terms and provisions of the merger agreement and to obtain an injunction restraining any breach or violation or threatened breach or violation of the provisions of the merger agreement without the necessity of posting a bond or other form of security. In the event that any action or proceeding is brought in equity to enforce the provisions of the merger agreement, B. Riley and FBR have agreed, pursuant to the terms of the merger agreement, that they will not allege, and that they have waived the defense, that there is an adequate remedy at law.

**Related Agreements**

***Employment Agreement with Richard J. Hendrix***

In connection with the signing of the merger agreement, Mr. Hendrix entered into an employment agreement with B. Riley & Co., LLC and, solely with respect to its obligations under such employment agreement, B. Riley, effective contingent on the closing and Mr. Hendrix remaining employed by FBR as of immediately prior to the closing. See The Merger Interests of FBR's Directors and Executive Officers in the Merger B. Riley Employment Agreement with Richard J. Hendrix.

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**VOTING AGREEMENTS**

*This section describes the material terms of the voting agreements. The description in this section and elsewhere in this joint proxy statement/prospectus is subject to and qualified in its entirety by reference to the complete text of the form of voting agreements, copies of which are attached as **Appendix B** and **Appendix C** and are incorporated by reference into this joint proxy statement/prospectus. This summary does not purport to be complete and may not contain all of the information about the voting agreements that is important to you. You are encouraged to read the form of voting agreements carefully and in their entirety. This section is not intended to provide you with any factual information about B. Riley or FBR. Such information can be found elsewhere in this joint proxy statement/prospectus and in the public filings B. Riley and FBR make with the SEC, as described in the section entitled *Where You Can Find More Information*.*

**Explanatory Note**

The form of voting agreements and the summary of their terms in this joint proxy statement/prospectus have been included only to provide you with information about the terms and conditions of the voting agreements. Factual disclosures about B. Riley and FBR contained in this joint proxy statement/prospectus or in the public reports of B. Riley and FBR filed with the SEC may supplement, update or modify the factual disclosures about B. Riley or FBR contained in the voting agreements. The representations, warranties and covenants contained in the voting agreements are made by the parties thereto only for purposes of the voting agreements and as of specific dates and were qualified and subject to certain limitations and exceptions agreed to by the parties thereto in connection with negotiating the terms of the voting agreements.

**B. Riley Voting Agreements**

In connection with entering into the merger agreement, B. Riley entered into the B. Riley voting agreements with the directors and executive officers of FBR. Pursuant to the B. Riley voting agreements, the directors and executive officers of FBR have each, in their capacities as shareholders of FBR, agreed to, among other things:

vote (or cause to be voted) their FBR common shares at the FBR special meeting (i) in favor of approval of the merger agreement, (ii) in favor of any other matter that is required to be approved by the shareholders of FBR to facilitate the transactions contemplated by the merger agreement and (iii) as directed by B. Riley with respect to any postponement, recess, adjournment or other procedural matters at any meeting of the shareholders of FBR; and

vote (or cause to be voted) their FBR common shares at the FBR special meeting against (i) any proposal made in opposition to adoption of the merger agreement or in competition with the merger, (ii) any acquisition proposal and (iii) to the extent that any of the following actions requires an FBR shareholder vote pursuant to applicable law or any applicable stock exchange rules, any proposal, transaction, agreement, amendment of FBR's articles of incorporation or by-laws or other action that is intended to or could reasonably be expected to prevent, impede, interfere with, delay, postpone or discourage consummation of the merger.

In addition, each FBR shareholder who executed a B. Riley Voting Agreement, agreed, among other things, not to offer for sale, sell, transfer, tender, pledge, encumber, assign, gift or otherwise dispose of or voluntarily or involuntarily enter into any voting arrangement with respect to the FBR common shares, subject to certain exceptions.

The B. Riley voting agreements will terminate automatically upon the earliest of (i) the effective time and (ii) the termination of the merger agreement in accordance with its terms.

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**FBR Voting Agreements**

In connection with entering into the merger agreement, FBR entered into the FBR voting agreements with the directors and executive officers of B. Riley. Pursuant to the FBR voting agreement, the directors and executive officers of B. Riley have each, in their capacities as stockholders of B. Riley, agreed to, among other things:

vote (or cause to be voted) their B. Riley common shares at the B. Riley annual meeting (i) in favor of the B. Riley share issuance proposal, (ii) in favor of any other matter that is required to be approved by the stockholders of B. Riley to facilitate the transactions contemplated by the merger agreement and (iii) as directed by FBR with respect to any postponement, recess, adjournment or other procedural matters at any meeting of the stockholders of B. Riley; and

vote (or cause to be voted) their B. Riley common shares at the B. Riley annual meeting against (i) any proposal made in opposition to adoption of the merger agreement or in competition with the merger and (ii) to the extent that any of the following actions requires a B. Riley stockholder vote pursuant to applicable law or any applicable stock exchange rules, any proposal, transaction, agreement, amendment of B. Riley's certificate of incorporation or by-laws or other action that is intended to or could reasonably be expected to prevent, impede, interfere with, delay, postpone or discourage consummation of the merger.

In addition, each B. Riley stockholder who executed an FBR Voting Agreement, agreed, among other things, not to offer for sale, sell, transfer, tender, pledge, encumber, assign, gift or otherwise dispose of or voluntarily or involuntarily enter into any voting arrangement with respect to the B. Riley common shares, subject to certain exceptions.

The FBR voting agreements will terminate automatically upon the earliest of (i) the effective time and (ii) the termination of the merger agreement in accordance with its terms.

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The unaudited pro forma condensed combined financial information and explanatory notes presented below, which we refer to as the pro forma financial statements, show the impact on the historical financial positions and results of operations of B. Riley and FBR and have been prepared to illustrate the effects of the merger involving B. Riley and FBR under the acquisition method of accounting with B. Riley treated as the acquiror. Under the acquisition method of accounting, the assets and liabilities of FBR, as of the effective date of the merger, will be recorded by B. Riley at their respective fair values and the excess of the merger consideration over the fair value of FBR's net assets will be allocated to goodwill. The unaudited pro forma condensed combined balance sheet as of December 31, 2016, is presented as if the merger with FBR had occurred on December 31, 2016. The unaudited pro forma condensed combined statement of operations for the fiscal year ended December 31, 2016, is presented as if the merger and B. Riley's acquisition of United Online, Inc. had occurred on January 1, 2016, the first day of B. Riley's 2016 fiscal year. The historical combined financial information has been adjusted to reflect factually supportable items that are directly attributable to the merger and, with respect to the statement of operations only, expected to have a continuing impact on combined results of operations.

The pro forma financial statements are presented for illustrative purposes only and do not necessarily indicate the financial results of the combined companies had the companies actually been combined at the beginning of the period presented. The adjustments included in these pro forma financial statements are preliminary and may be revised. The pro forma financial statements also do not consider any potential impacts of potential revenue enhancements, anticipated cost savings and expense efficiencies, or asset dispositions, among other factors.

The pro forma financial statements and accompanying notes should be read in conjunction with the separate historical combined financial statements and accompanying notes of B. Riley, FBR and United Online, Inc. included in B. Riley's and FBR's respective Annual Reports on Form 10-K and the Current Report on Form 8-K/A filed by B. Riley with the SEC on August 25, 2016 incorporated herein by reference.



**Table of Contents****Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2016****B. RILEY FINANCIAL, INC. AND SUBSIDIARIES****PRO FORMA CONDENSED COMBINED BALANCE SHEET****(UNAUDITED)****AS OF DECEMBER 31, 2016**

	<b>B. RILEY FINANCIAL, INC. (a)</b>	<b>FBR &amp; Co., INC. (b)</b>	<b>PRO FORMA ADJUSTMENTS</b>	<b>PRO FORMA TOTAL</b>
<b>(Dollars in thousands, except par value)</b>				
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 112,105	\$ 75,019(2)	\$ (59,540)	\$ 123,084
		(3)	(4,500)	
Restricted cash	3,294			3,294
Securities owned, at fair value	16,579	32,401		48,980
Receivables:				
Securities borrowed		897,343		897,343
Customers and other	18,989	7,102		26,091
Due from related parties	3,009			3,009
Advances against customer contracts	427			427
Prepaid expenses and other current assets	3,578	7,279		10,857
<b>Total current assets</b>	<b>157,981</b>	<b>1,019,144</b>	<b>(64,040)</b>	<b>1,113,085</b>
Property and equipment, net	5,785	12,624		18,409
Goodwill	48,903	4,490(1)	20,865	69,768
		(4)	(4,490)	
Other intangible assets, net	41,166	(1)	6,500	47,666
Deferred income taxes	8,619	(1)	11,150	19,769
Other assets	2,164	1,683		3,847
<b>Total assets</b>	<b>\$ 264,618</b>	<b>\$ 1,037,941</b>	<b>\$ (30,015)</b>	<b>\$ 1,272,544</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 2,703	\$	\$	\$ 2,703
Accrued payroll and related expenses	15,738	12,291(6)	3,500	31,529
Accrued value added tax payable	6,371			6,371
Income taxes payable	9,691			9,691
Accrued expenses and other liabilities	18,505	15,923(5)	1,089	35,517
Deferred revenue	4,130			4,130

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Due to related parties and partners	10,037			10,037
Securities loaned		892,309		892,309
Securities sold not yet purchased	846			846
Acquisition consideration payable	10,381			10,381
Mandatorily redeemable noncontrolling interests	4,019			4,019
Contingent consideration current portion	1,242			1,242
<b>Total current liabilities</b>	<b>83,663</b>	<b>920,523</b>	<b>4,589</b>	<b>1,008,775</b>
Other liabilities	2,863			2,863
Senior Notes Payable	27,700			27,700
<b>Total liabilities</b>	<b>114,226</b>	<b>920,523</b>	<b>4,589</b>	<b>1,039,338</b>
<b>Equity:</b>				
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued				
Common stock, \$0.0001 par value; 40,000,000 shares authorized; 19,140,342 issued and outstanding at December 31, 2016	2	7(1)	(7)	2
Additional paid-in capital	141,170	252,311(1)	(134,893)	231,984
		(1)	20,865	
		(1)	6,500	
		(1)	11,150	
		(2)	(59,540)	
		(4)	(4,490)	
		(5)	(1,089)	
Restricted Stock Units		14,771(1)	(14,771)	
Retained earnings (deficit)	9,887	(149,671)(3)	(4,500)	1,887
		(6)	(3,500)	
		(7)	149,671	
Accumulated other comprehensive income	(1,712)			(1,712)
Total stockholders equity	149,347	117,418	(34,604)	232,161
Noncontrolling interests	1,045			1,045
Total equity (deficit)	150,392	117,418	(34,604)	233,206