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[Table of Contents](#)

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

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**SCHEDULE 14A  
(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION**

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

Filed by the Registrant ☒Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Under Rule 14a-12

**FBR & CO.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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[Table of Contents](#)**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 April 27, 2017 of \$15.00, the merger consideration represented approximately \$71.45 million 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 in a range of \$7.50 to \$8.00. 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 4,877,147 B. Riley common shares expected to be issued to FBR shareholders, FBR shareholders would own approximately 19.9% of the B. Riley common shares (not taking into account any B. Riley common shares they may already own).

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.

## Table of Contents

- 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 the offices of B. Riley's subsidiary, B. Riley & Co., LLC, located at 11100 Santa Monica Blvd., Suite 800, Los Angeles, California 90025, at 8:00 a.m., Pacific Time, on June 1, 2017. The FBR special meeting will be held at 1300 North Seventeenth Street, First Floor, Arlington, Virginia 22209, at 9:00 a.m., Eastern Time, on June 1, 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 31 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.

**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 May 1, 2017, and is first being mailed to the stockholders of B. Riley and the shareholders of FBR on or about May 2, 2017.

[Table of Contents](#)

**FBR & CO.**  
**1300 NORTH SEVENTEENTH STREET**  
**ARLINGTON, VIRGINIA 22209**  
**(703) 312-9500**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD JUNE 1, 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 1300 North Seventeenth Street, First Floor, Arlington, Virginia 22209, at 9:00 a.m., Eastern Time, on June 1, 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 April 27, 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.

[Table of Contents](#)

**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  
May 1, 2017

[Table of Contents](#)**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.  
21255 Burbank Boulevard, Suite 400  
Woodland Hills, California 91367  
Attention: Corporate Secretary  
Telephone: (818) 884-3737

FBR & Co.  
1300 North Seventeenth Street  
Arlington, Virginia 22209  
Attention: Corporate Secretary  
Telephone: (703) 312-9500

**To obtain timely delivery of these documents, you must request the information no later than May 24, 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."

[Table of Contents](#)

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 MAY 1, 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.



**Table of Contents****Table of Contents**

<b><u>QUESTIONS AND ANSWERS</u></b>	1
<b><u>SUMMARY</u></b>	11
<u>The Parties</u>	11
<u>The Merger and the Merger Agreement</u>	12
<u>Merger Consideration</u>	12
<u>Pre-Closing Dividend</u>	12
<u>Treatment of FBR Equity Awards</u>	13
<u>Recommendations of the FBR Board of Directors and Reasons for the Merger</u>	14
<u>Opinion of FBR's Financial Advisor</u>	14
<u>Recommendations of the B. Riley Board of Directors and Reasons for the Merger</u>	14
<u>B. Riley Annual Meeting</u>	14
<u>FBR Special Meeting</u>	15
<u>Interests of FBR's Directors and Executive Officers in the Merger</u>	16
<u>Regulatory Matters</u>	17
<u>Conditions to Completion of the Merger</u>	17
<u>No Solicitation or Negotiation of Acquisition Proposals</u>	18
<u>No Change in Recommendation or Alternative Acquisition Agreement</u>	19
<u>Termination of the Merger Agreement</u>	19
<u>Termination Fee</u>	20
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	21
<u>Accounting Treatment</u>	21
<u>Comparison of Stockholders' Rights</u>	22
<u>Risk Factors</u>	22
<b><u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF B. RILEY</u></b>	23
<b><u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF FBR</u></b>	25
<b><u>SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA</u></b>	27
<u>Unaudited Pro Forma Condensed Combined Statement of Operations</u>	27
<u>Unaudited Pro Forma Condensed Combined Balance Sheet</u>	27
<b><u>COMPARATIVE PER SHARE DATA (UNAUDITED)</u></b>	28
<b><u>MARKET PRICES, DIVIDENDS AND OTHER DISTRIBUTIONS</u></b>	29
<b><u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u></b>	30
<b><u>RISK FACTORS</u></b>	31
<u>Risk Factors Relating to the Merger and B. Riley's Business Upon Completion of the Merger</u>	31
<u>Risk Factors Relating to FBR and FBR's Business</u>	38
<u>Risk Factors Relating to B. Riley and B. Riley's Business</u>	38
<b><u>FBR SPECIAL MEETING</u></b>	39
<u>Date, Time and Place</u>	39
<u>Purpose</u>	39
<u>Recommendations of the FBR Board of Directors</u>	39
<u>Record Date and Quorum</u>	40
<u>Required Vote</u>	40
<u>Abstentions and Broker Non-Votes</u>	40
<u>How to Vote</u>	41
<u>Shares Held in Street Name</u>	41
<u>Revoking Your Proxy</u>	42
<u>Attending the FBR Special Meeting</u>	42
<u>Solicitation of Proxies</u>	42
<u>Delivery of Proxy Materials to Stockholders Sharing an Address</u>	43
<u>Assistance</u>	43
<b><u>FBR PROPOSALS</u></b>	44

**Table of Contents**

<a href="#"><u>FBR Merger Proposal</u></a>	44
<a href="#"><u>Merger-Related Named Executive Officer Compensation Proposal</u></a>	44
<a href="#"><u>FBR Adjournment Proposal</u></a>	44
<a href="#"><u>Other Matters to Come Before the FBR Special Meeting</u></a>	45
<b><a href="#"><u>B. RILEY ANNUAL MEETING</u></a></b>	46
<a href="#"><u>Date, Time and Place</u></a>	46
<a href="#"><u>Purpose</u></a>	46
<a href="#"><u>Recommendations of the B. Riley Board of Directors</u></a>	46
<a href="#"><u>Record Date and Quorum</u></a>	46
<a href="#"><u>Required Vote</u></a>	47
<a href="#"><u>Abstentions and Broker Non-Votes</u></a>	47
<a href="#"><u>How to Vote</u></a>	48
<a href="#"><u>Shares Held in Street Name</u></a>	48
<a href="#"><u>Revoking Your Proxy</u></a>	49
<a href="#"><u>Attending the B. Riley Annual Meeting</u></a>	49
<a href="#"><u>Solicitation of Proxies</u></a>	49
<a href="#"><u>Delivery of Proxy Materials to Stockholders Sharing an Address</u></a>	50
<a href="#"><u>Other Matters to Come Before the B. Riley Annual Meeting</u></a>	50
<b><a href="#"><u>B. RILEY MERGER-RELATED PROPOSALS</u></a></b>	51
<a href="#"><u>B. Riley Share Issuance Proposal</u></a>	51
<a href="#"><u>B. Riley Adjournment Proposal</u></a>	51
<b><a href="#"><u>INFORMATION ABOUT THE PARTIES</u></a></b>	52
<a href="#"><u>FBR &amp; Co.</u></a>	52
<a href="#"><u>B. Riley Financial, Inc.</u></a>	52
<a href="#"><u>BRC Merger Sub, LLC</u></a>	53
<b><a href="#"><u>THE MERGER</u></a></b>	54
<a href="#"><u>Terms of the Merger</u></a>	54
<a href="#"><u>Background of the Merger</u></a>	56
<a href="#"><u>Recommendations of the FBR Board of Directors and Reasons for the Merger</u></a>	59
<a href="#"><u>FBR's Unaudited Prospective Financial Information</u></a>	61
<a href="#"><u>Opinion of FBR's Financial Advisor</u></a>	63
<a href="#"><u>Recommendations of the B. Riley Board of Directors and Reasons for the Merger</u></a>	75
<a href="#"><u>B. Riley Board of Directors After the Merger</u></a>	76
<a href="#"><u>Merger Sub Officers and Sole Member after the Merger</u></a>	77
<a href="#"><u>Interests of FBR's Directors and Executive Officers in the Merger</u></a>	77
<a href="#"><u>Regulatory Approvals Required for the Merger</u></a>	82
<a href="#"><u>Accounting Treatment</u></a>	84
<a href="#"><u>Public Trading Markets</u></a>	84
<a href="#"><u>Exchange of Shares in the Merger</u></a>	85
<a href="#"><u>Appraisal Rights</u></a>	85
<a href="#"><u>Litigation Relating to the Merger</u></a>	85
<b><a href="#"><u>THE MERGER AGREEMENT</u></a></b>	86
<a href="#"><u>Explanatory Note</u></a>	86
<a href="#"><u>The Merger</u></a>	86
<a href="#"><u>Effects of the Merger</u></a>	87
<a href="#"><u>Closing and Effective Time of the Merger</u></a>	87
<a href="#"><u>Certificate of Formation; Limited Liability Company Agreement</u></a>	87
<a href="#"><u>Directors</u></a>	87
<a href="#"><u>Officers and Sole Member</u></a>	87
<a href="#"><u>Merger Consideration</u></a>	88
<a href="#"><u>Treatment of FBR Equity Awards</u></a>	88
<a href="#"><u>Exchange Procedures</u></a>	89

**Table of Contents**

<a href="#"><u>Representations and Warranties</u></a>	91
<a href="#"><u>Conduct of FBR's Business</u></a>	94
<a href="#"><u>B. Riley Forbearance</u></a>	97
<a href="#"><u>No Solicitation or Negotiation of Acquisition Proposals</u></a>	98
<a href="#"><u>No Change in Recommendation or Alternative Acquisition Agreement</u></a>	100
<a href="#"><u>Regulatory Matters</u></a>	101
<a href="#"><u>Stockholders Meetings</u></a>	101
<a href="#"><u>Nasdaq Listing</u></a>	102
<a href="#"><u>Employee Matters</u></a>	102
<a href="#"><u>Indemnification; Directors' and Officers' Insurance</u></a>	103
<a href="#"><u>Pre-Closing Dividend</u></a>	104
<a href="#"><u>Other Covenants and Agreements</u></a>	105
<a href="#"><u>Conditions to the Merger</u></a>	105
<a href="#"><u>Termination of the Merger Agreement</u></a>	108
<a href="#"><u>Effect of Termination</u></a>	109
<a href="#"><u>Termination Fee</u></a>	109
<a href="#"><u>Amendments and Waivers</u></a>	109
<a href="#"><u>Specific Performance; Remedies</u></a>	109
<a href="#"><u>Related Agreements</u></a>	110
<a href="#"><u>VOTING AGREEMENTS</u></a>	111
<a href="#"><u>Explanatory Note</u></a>	111
<a href="#"><u>B. Riley Voting Agreements</u></a>	111
<a href="#"><u>FBR Voting Agreements</u></a>	112
<a href="#"><u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u></a>	113
<a href="#"><u>Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2016</u></a>	114
<a href="#"><u>Unaudited Pro Forma Condensed Combined Statement of Operations for the Year Ended December 31, 2016</u></a>	115
<a href="#"><u>Notes to Unaudited Pro Forma Condensed Combined Financial Information</u></a>	116
<a href="#"><u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER</u></a>	120
<a href="#"><u>Tax Consequences of the Merger Generally</u></a>	121
<a href="#"><u>Cash Instead of Fractional Shares</u></a>	121
<a href="#"><u>Pre-Closing Dividend</u></a>	121
<a href="#"><u>Information Reporting and Backup Withholding</u></a>	122
<a href="#"><u>DESCRIPTION OF B. RILEY'S CAPITAL STOCK</u></a>	123
<a href="#"><u>Common Shares</u></a>	123
<a href="#"><u>Preferred Shares</u></a>	124
<a href="#"><u>Anti-Takeover Provisions</u></a>	124
<a href="#"><u>COMPARISON OF CERTAIN RIGHTS OF HOLDERS OF B. RILEY AND FBR COMMON SHARES</u></a>	126
<a href="#"><u>General</u></a>	126
<a href="#"><u>Comparison of Certain Rights</u></a>	126
<a href="#"><u>OTHER MATTERS TO BE CONSIDERED AT THE B. RILEY ANNUAL MEETING</u></a>	134
<a href="#"><u>Election of Directors</u></a>	134
<a href="#"><u>Ratification and Selection of Independent Public Accounting Firm</u></a>	136
<a href="#"><u>B. RILEY CORPORATE GOVERNANCE</u></a>	138
<a href="#"><u>B. Riley Corporate Governance Guidelines</u></a>	138
<a href="#"><u>Director Independence</u></a>	138
<a href="#"><u>Nominations for Directors</u></a>	138
<a href="#"><u>Stockholder Communications with Directors</u></a>	140
<a href="#"><u>Code of Business Conduct and Ethics</u></a>	140
<a href="#"><u>Meetings and Committees of the B. Riley Board of Directors</u></a>	140
<a href="#"><u>Meeting Attendance</u></a>	140

**Table of Contents**

<a href="#"><u>Committees of the B. Riley Board of Directors</u></a>	140
<a href="#"><u>Board Leadership Structure</u></a>	141
<a href="#"><u>Board Role in Risk Management</u></a>	142
<a href="#"><u>Certain Relationships and Related Party Transactions</u></a>	143
<a href="#"><u>Procedures for Approval of Related Party Transactions</u></a>	148
<a href="#"><u>Section 16(a) Beneficial Ownership Reporting Compliance</u></a>	148
<a href="#"><u>B. RILEY EXECUTIVE COMPENSATION</u></a>	149
<a href="#"><u>Summary Compensation Table</u></a>	150
<a href="#"><u>Outstanding Equity Awards at Fiscal Year End</u></a>	151
<a href="#"><u>Role of the B. Riley Compensation Committee and Executive Officers in Compensation Decisions</u></a>	151
<a href="#"><u>Role of Compensation Consultants in Compensation Decisions</u></a>	151
<a href="#"><u>Setting Executive Compensation</u></a>	151
<a href="#"><u>Components of Compensation for Named Executive Officers</u></a>	152
<a href="#"><u>Employment Agreements</u></a>	153
<a href="#"><u>Equity Compensation Plan Information</u></a>	154
<a href="#"><u>B. RILEY DIRECTOR COMPENSATION</u></a>	155
<a href="#"><u>REPORT OF THE B. RILEY AUDIT COMMITTEE</u></a>	157
<a href="#"><u>SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS AND CERTAIN BENEFICIAL OWNERS OF B. RILEY</u></a>	158
<a href="#"><u>Beneficial Owners of More Than Five Percent</u></a>	158
<a href="#"><u>Beneficial Ownership of Directors and Executive Officers</u></a>	159
<a href="#"><u>SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS AND CERTAIN BENEFICIAL OWNERS OF FBR</u></a>	161
<a href="#"><u>Beneficial Owners of More Than Five Percent</u></a>	161
<a href="#"><u>Beneficial Ownership of Directors and Executive Officers</u></a>	162
<a href="#"><u>LEGAL OPINIONS</u></a>	164
<a href="#"><u>EXPERTS</u></a>	164
<a href="#"><u>B. RILEY ANNUAL MEETING STOCKHOLDER PROPOSALS</u></a>	165
<a href="#"><u>FBR ANNUAL MEETING SHAREHOLDER PROPOSALS</u></a>	166
<a href="#"><u>DOCUMENTS INCORPORATED BY REFERENCE</u></a>	167
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.

[Table of Contents](#)**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.

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.

## [Table of Contents](#)

### **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 in a range of \$7.50 to \$8.00.

### **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.”

FBR will provide its shareholders with an update regarding the amount of the pre-closing dividend prior to the FBR special meeting.

## [Table of Contents](#)

### **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 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."



## [Table of Contents](#)

### **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 April 27, 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 April 27, 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.



## [Table of Contents](#)

- *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.

## [Table of Contents](#)

### **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, 1,191,902 FBR common shares, allowing them to exercise approximately 14.8% 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, 5,432,500 B. Riley common shares, allowing them to exercise approximately 27.9% 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.

## [Table of Contents](#)

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 the offices of B. Riley's subsidiary, B. Riley & Co., LLC, located at 11100 Santa Monica Blvd., Suite 800, Los Angeles, California 90025, at 8:00 a.m., Pacific Time, on June 1, 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 1300 North Seventeenth Street, First Floor, Arlington, Virginia 22209, at 9:00 a.m., Eastern Time, on June 1, 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

## [Table of Contents](#)

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

## [Table of Contents](#)

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.

Although the tax treatment of the pre-closing dividend is not entirely clear, we intend to report the pre-closing dividend as a distribution with respect to FBR common shares. For U.S. federal income tax purposes, such distribution may be a dividend subject to withholding, return of basis and/or gain from the disposition of FBR common shares, depending in part on the current earnings and profits of FBR as calculated under U.S. federal income tax principles. FBR cannot predict whether it will have current or accumulated earnings and profits for its current taxable year (which will end in connection with the merger). It is possible that FBR will have current earnings and profits for its current taxable year. If there are current or accumulated earnings and profits, the pre-closing dividend will generally be treated as a dividend to the extent of such amount. Dividends received by individual FBR shareholders generally should qualify for reduced tax rates so long as certain holding period requirements are met. Dividends received by corporate FBR shareholders may be eligible for the dividends received deduction if the holder is an otherwise qualifying corporate holder that meets the holding period and certain other requirements for the dividends received deduction. FBR will not be able to make this determination until after the merger. Once the determination is made, B. Riley will post this determination regarding FBR's earnings and profits for U.S. federal income tax purposes on its website or otherwise inform its stockholders of its determination.

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.

## [Table of Contents](#)

**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.

**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.



[Table of Contents](#)**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 52)****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.

## [Table of Contents](#)

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 54 and page 86)

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 88)

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 April 27, 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 \$10.07.

### **Pre-Closing Dividend** (page 104)

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



## [Table of Contents](#)

excess available funds may be paid as part of the pre-closing dividend. See “The Merger Agreement—Pre-Closing Dividend.”

FBR will provide its shareholders with an update regarding the amount of the pre-closing dividend prior to the FBR special meeting. As of the date hereof, FBR expects the pre-closing dividend on a per share basis to be in a range of \$7.50 to \$8.00.

### **Treatment of FBR Equity Awards (page 88)**

*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.”

## [Table of Contents](#)

### **Recommendations of the FBR Board of Directors and Reasons for the Merger (page 59)**

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.

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 63)**

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 the 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 scope of 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 75)**

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 46)**

The annual meeting of stockholders of B. Riley will be held at the offices of B. Riley's subsidiary, B. Riley & Co., LLC, located at 11100 Santa Monica Blvd., Suite 800, Los Angeles, California 90025, at 8:00 a.m. Pacific Time, on June 1, 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;

## Table of Contents

- 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
- 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 April 27, 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 April 27, 2017, there were 19,465,492 B. Riley common shares issued and outstanding, held by approximately 110 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 5,432,500 outstanding shares, or 27.9% 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 39)

The special meeting of shareholders of FBR will be held at 1300 North Seventeenth Street, First Floor, Arlington, Virginia 22209, at 9:00 a.m., Eastern Time, on June 1, 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 April 27, 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 April 27, 2017, there were 7,099,114 FBR common shares issued and outstanding, held by approximately 13 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.

## [Table of Contents](#)

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 1,191,902 outstanding shares, or 16.4% of the outstanding FBR common shares, are covered by the FBR voting agreements. See “Voting Agreements.”

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 77)**

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.”

## [Table of Contents](#)

### **Regulatory Matters (page 82)**

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. The parties received notice of the early termination of the applicable waiting period under the HSR Act on March 22, 2017, and FBR received approval of each broker-dealer subsidiary's Continuing Membership Application on April 10, 2017. 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 105)**

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.

## [Table of Contents](#)

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;”
- 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 98)**

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.



## [Table of Contents](#)

### **No Change in Recommendation or Alternative Acquisition Agreement (page 100)**

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 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 108)**

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;

## [Table of Contents](#)

- 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;
  - 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 109)**

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



## [Table of Contents](#)

- 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).

### **Material U.S. Federal Income Tax Consequences of the Merger** (page 120)

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.

Although the tax treatment of the pre-closing dividend is not entirely clear, we intend to report the pre-closing dividend as a distribution with respect to FBR common shares. For U.S. federal income tax purposes, such distribution may be a dividend subject to withholding, return of basis and/or gain from the disposition of FBR common shares, depending in part on the current earnings and profits of FBR as calculated under U.S. federal income tax principles. FBR cannot predict whether it will have current or accumulated earnings and profits for its current taxable year (which will end in connection with the merger). It is possible that FBR will have current earnings and profits for its current taxable year. If there are current or accumulated earnings and profits, the pre-closing dividend will generally be treated as a dividend to the extent of such amount. Dividends received by individual FBR shareholders generally should qualify for reduced tax rates so long as certain holding period requirements are met. Dividends received by corporate FBR shareholders may be eligible for the dividends received deduction if the holder is an otherwise qualifying corporate holder that meets the holding period and certain other requirements for the dividends received deduction. FBR will not be able to make this determination until after the merger. Once the determination is made, B. Riley will post this determination regarding FBR's earnings and profits for U.S. federal income tax purposes on its website or otherwise inform its stockholders of its determination.

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 84)

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.

[Table of Contents](#)**Comparison of Stockholders' Rights** (page 126)

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 31)

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)**

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Revenues:					
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	<u>190,351</u>	<u>112,525</u>	<u>77,116</u>	<u>76,132</u>	<u>83,936</u>
Operating expenses:					
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	<u>141,626</u>	<u>90,443</u>	<u>84,547</u>	<u>72,034</u>	<u>76,495</u>
Operating income (loss)	<u>48,725</u>	<u>22,082</u>	<u>(7,431)</u>	<u>4,098</u>	<u>7,441</u>
Other income (expense):					
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	<u>(1,996)</u>	<u>(834)</u>	<u>(1,262)</u>	<u>(2,667)</u>	<u>(2,612)</u>
Income (loss) from operations before income taxes	47,047	21,265	(8,681)	1,280	6,276
(Provision) benefit for income taxes	<u>(14,321)</u>	<u>(7,688)</u>	<u>2,886</u>	<u>(704)</u>	<u>(1,936)</u>
Net income (loss)	<u>32,726</u>	<u>13,577</u>	<u>(5,795)</u>	<u>576</u>	<u>4,340</u>
Net income (loss) attributable to noncontrolling interests	11,200	1,772	6	(482)	819
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

[Table of Contents](#)

**Consolidated Balance Sheet Data:**  
**(Dollars in thousands)**

	Year Ended December 31,				
	2016	2015	2014	2013	2012
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)

-24-

[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.

	Year Ended December 31,				
	2016	2015	2014	2013	2012
<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
Total revenues	119,705	155,432	203,308	259,821	151,492
Interest expense	21,388	35,037	21,183	—	—
Revenue, net of interest expense	98,317	120,395	182,125	259,821	151,492
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
Total non-interest expenses	126,069	136,153	164,765	202,551	147,564
(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)
(Loss) income from continuing operations, net of taxes	(66,004)	(7,461)	17,019	84,753	5,006
(Loss) income from discontinued operations, net of taxes	—	—	—	8,159	24,685
Net (loss) income	<u>\$ (66,004)</u>	<u>\$ (7,461)</u>	<u>\$ 17,019</u>	<u>\$ 92,912</u>	<u>\$ 29,691</u>
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	<u>\$ (8.89)</u>	<u>\$ (0.92)</u>	<u>\$ 1.66</u>	<u>\$ 7.77</u>	<u>\$ 2.24</u>
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	<u>\$ (8.89)</u>	<u>\$ (0.92)</u>	<u>\$ 1.48</u>	<u>\$ 7.17</u>	<u>\$ 2.15</u>
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	\$ —	\$ —	\$ —

[Table of Contents](#)

	As of December 31,				
	2016	2015	2014	2013	2012
<b>Consolidated Balance Sheet Data (in thousands):</b>					
<b>Assets:</b>					
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>
<b>Liabilities:</b>					
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

(Dollars in thousands)	<u>Year ended December 31, 2016</u>
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

(Dollars in thousands)	<u>As of December 31, 2016</u>
Cash and cash equivalents	\$ 123,084
Total assets	\$ 1,272,544
B. Riley pro forma common shares outstanding (in thousands)	23,917

[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><u>B. Riley Historical</u></b>	<b><u>FBR Historical</u></b>	<b><u>Pro Forma Combined (2)</u></b>	<b><u>Per Equivalent FBR Common Share (1)</u></b>
<b><u>For the year ended December 31, 2016</u></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 April 27, 2017, there were approximately 110 registered B. Riley stockholders, and as of April 27, 2017, there were approximately 13 registered FBR shareholders.

	<b>B. Riley Common Shares</b>			<b>FBR Common Shares</b>		
	<b>High</b>	<b>Low</b>	<b>Dividends</b>	<b>High</b>	<b>Low</b>	<b>Dividends</b>
<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	\$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 April 27, 2017, the latest practicable date before the date of this joint proxy statement/prospectus.

	<b>B. Riley Common Shares</b>	<b>FBR Common Shares</b>
February 17, 2017	\$17.55	\$16.70
April 27, 2017	\$15.00	\$18.05

[Table of Contents](#)**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," "positions," "targets," "prospects," "projections," or "potential," future conditional verbs such as "will," "would," "should," "could," or "may" or words of 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.

[Table of Contents](#)**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.

## [Table of Contents](#)

In addition, the amount to be received by FBR shareholders in the pre-closing dividend may change as a result of factors set forth in “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” and “The amount of the pre-closing dividend is uncertain” in this “Risk Factors” section.

### ***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.”

As of the date of this joint proxy statement/prospectus, FBR expects the pre-closing dividend on a per share basis to be in a range of \$7.50 to \$8.00. But, because the amount of cash available to FBR to pay the pre-closing dividend fluctuates and is subject to the minimum cash and financial instrument amount, and because the pre-closing dividend will not be declared earlier than the 15th day prior to the anticipated closing, the actual amount of the pre-closing dividend that will be paid to FBR shareholders is uncertain as of the date of this joint proxy statement/prospectus and may be more than \$8.00 or less than \$7.50. FBR will provide its shareholders with an update regarding the amount of the pre-closing dividend prior to the FBR special meeting. For more information, see “The Merger—Terms of the Merger—Pre-Closing Dividend.”

### ***The tax treatment of the pre-closing dividend is uncertain.***

Although the tax treatment of the pre-closing dividend is not entirely clear, we intend to report the pre-closing dividend as a distribution with respect to FBR common shares. For U.S. federal income tax purposes, such distribution may be a dividend subject to withholding, return of basis and/or gain from the disposition of FBR common shares, depending in part on the current earnings and profits of FBR as calculated under U.S. federal income tax principles. FBR cannot predict whether it will have current or accumulated earnings and profits for its current taxable year (which will end in connection with the merger). It is possible that FBR will have current earnings and profits for its current taxable year. If there are current or accumulated earnings and

## [Table of Contents](#)

profits, the pre-closing dividend will generally be treated as a dividend to the extent of such amount. Dividends received by individual FBR shareholders generally should qualify for reduced tax rates so long as certain holding period requirements are met. Dividends received by corporate FBR shareholders may be eligible for the dividends received deduction if the holder is an otherwise qualifying corporate holder that meets the holding period and certain other requirements for the dividends received deduction. FBR will not be able to make this determination until after the merger. Once the determination is made, B. Riley will post this determination regarding FBR's earnings and profits for U.S. federal income tax purposes on its website or otherwise inform its stockholders of its determination.

### ***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 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

## [Table of Contents](#)

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 "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" and "The amount of the pre-closing dividend is uncertain" in this "Risk Factors" section. 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.

***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."

## [Table of Contents](#)

### ***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 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 19.9% 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 80.1% 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



## [Table of Contents](#)

approximately 19,465,492 common shares outstanding, and 2,228,499 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 4,877,147 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.

***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."

## [Table of Contents](#)

### ***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 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.

## [Table of Contents](#)

### ***Litigation relating to the merger could require us to incur significant costs and suffer management distraction, as well as delay and/or enjoin the merger.***

On April 4, 2017, a purported FBR shareholder filed a putative class action against FBR and the members of the FBR board of directors that challenges the disclosures made in connection with the merger. The lawsuit was filed in the United States District Court for the Eastern District of Virginia and is styled *Michael Rubin v. FBR & Co., et al.*, Case No. 1:17-cv-00410-LMB-MSN. The *Rubin* complaint alleges that the registration statement of which this joint proxy statement/prospectus forms a part fails to disclose certain allegedly material information in violation of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934, which we refer to as the Exchange Act, and SEC Rule 14a-9 promulgated thereunder. The plaintiff in the *Rubin* action seeks to enjoin the forthcoming shareholder vote on the merger and/or the consummation of the merger or, in the alternative, for rescission of the merger or rescissory damages. The plaintiff in the *Rubin* action also seeks certain costs and fees, including attorneys' fees.

On April 12, 2017, another purported FBR shareholder filed a second putative class action against the same defendants that also challenges the disclosures made in connection with the merger. The lawsuit was again filed in the United States District Court for the Eastern District of Virginia and is styled *Woo J. Kim v. FBR & Co., et al.*, Case No. 1:17-cv-00444-LMB-IDD. The *Kim* complaint asserts substantially the same claims as the *Rubin* complaint. The plaintiff in the *Kim* action seeks to enjoin the consummation of the merger or, in the alternative, for rescission of the merger or rescissory damages. The plaintiff in the *Kim* action also seeks damages and certain costs and fees, including attorneys' fees.

Additional lawsuits related to the merger may be filed against FBR, B. Riley and/or the directors and officers of either company. The outcome of any such litigation is uncertain. Such lawsuits could prevent or delay completion of the merger and may adversely affect FBR's and B. Riley's business, financial condition, results of operations and/or cash flows. See "The Merger—Litigation Relating to 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."

[Table of Contents](#)

## FBR SPECIAL MEETING

### Date, Time and Place

The special meeting of shareholders of FBR will be held at 1300 North Seventeenth Street, First Floor, Arlington, Virginia 22209, at 9:00 a.m., Eastern Time, on June 1, 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.

## [Table of Contents](#)

### **Record Date and Quorum**

The FBR board of directors has fixed April 27, 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 April 27, 2017, there were 7,099,114 FBR common shares issued and outstanding, held by approximately 13 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 1,191,902 outstanding shares, or 16.4% 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.

## [Table of Contents](#)

### **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.fcervote.com/fbr](http://www.fcervote.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.

## [Table of Contents](#)

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 1300 North Seventeenth Street, First Floor, Arlington, Virginia 22209, at 9:00 a.m., Eastern Time, on June 1, 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



## [Table of Contents](#)

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 \$10,000, 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.



[Table of Contents](#)

## 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,

## [Table of Contents](#)

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.

[Table of Contents](#)

## B. RILEY ANNUAL MEETING

### Date, Time and Place

The annual meeting of stockholders of B. Riley will be held at the offices of B. Riley's subsidiary, B. Riley & Co., LLC, located at 11100 Santa Monica Blvd., Suite 800, Los Angeles, California 90025, at 8:00 a.m., Pacific Time, on June 1, 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 April 27, 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 April 27, 2017, there were 19,465,492 B. Riley common shares issued and outstanding, held by approximately 110 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.

## [Table of Contents](#)

### **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 5,432,500 outstanding shares, or 27.9% 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.

## [Table of Contents](#)

### **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

## [Table of Contents](#)

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 the offices of B. Riley's subsidiary, B. Riley & Co., LLC, located at 11100 Santa Monica Blvd., Suite 800, Los Angeles, California 90025, at 8:00 a.m., Pacific Time, on June 1, 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.

[Table of Contents](#)**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 JUNE 1, 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/>.

[Table of Contents](#)**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.**



[Table of Contents](#)**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

## [Table of Contents](#)

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.

[Table of Contents](#)

## 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.”

## [Table of Contents](#)

In determining that the merger agreement was advisable and in the best interests of FBR and its shareholders, and resolving to recommend that FBR shareholders vote in favor of the merger proposal, the FBR board of directors was aware of and considered, among other matters, the possibility that the actual value of the pre-closing dividend could be less than \$8.50 per FBR common share or not paid at all. For more information about these deliberations, please see the section entitled “The Merger—Background of the Merger.” The FBR board of directors also took into account, in resolving to recommend the approval of the merger proposal to FBR shareholders, the fact that Berkshire Capital’s written opinion, dated as of February 17, 2017, was based on various assumptions that could vary between the time that Berkshire Capital rendered its oral opinion and the effective time of the merger, including the assumption that FBR shareholders would receive a pre-closing dividend of \$8.50 per FBR common share. For more information about the factors that the FBR board of directors considered in determining to enter into the merger agreement and to recommend that the FBR shareholders approve the merger proposal, please see the section entitled “The Merger—Recommendations of the FBR Board of Directors and Reasons for the Merger,” and for additional information regarding the risks related to the amount of the pre-closing dividend, please see the section entitled “Risk Factors—Risks Relating to the Merger and B. Riley’s Business Upon Completion of the Merger.”

As of the date of this joint proxy statement/prospectus, FBR expects the pre-closing dividend on a per share basis to be in a range of \$7.50 to \$8.00. But, because the amount of cash available to FBR to pay the pre-closing dividend fluctuates and is subject to the minimum cash and financial instrument amount, and because the pre-closing dividend will not be declared earlier than the 15th day prior to the anticipated closing, the actual amount of the pre-closing dividend that will be paid to FBR shareholders is uncertain as of the date of this joint proxy statement/prospectus and may be more than \$8.00 or less than \$7.50. For information about the risks related to the amount of the pre-closing dividend, please see the section entitled “Risk Factors—Risks Relating to the Merger and B. Riley’s Business Upon Completion of the Merger.”

However, FBR will provide its shareholders with an update regarding the estimated amount of the pre-closing dividend prior to the FBR special meeting. In all cases, FBR will provide its shareholders with an estimate of the pre-closing dividend at least 10 calendar days prior to the date of the FBR special meeting.

Currently, FBR anticipates that the closing of the merger will occur shortly following the FBR special meeting, and therefore expects that the FBR board of directors will declare the pre-closing dividend in advance of the FBR special meeting as well. Pursuant to the terms of the merger agreement, FBR will provide B. Riley with an estimate of the amount of the pre-closing dividend at least five business days in advance of the declaration of the pre-closing dividend. FBR will also make a public announcement with respect to such estimate. The parties expect to announce the estimated dividend amount approximately two and a half weeks before the date of the FBR special meeting. FBR then intends to set a record date for the pre-closing dividend and declare the pre-closing dividend approximately 10 calendar days in advance of the FBR special meeting, subject to the approval of the B. Riley share issuance proposal by the B. Riley stockholders, the approval of the FBR merger proposal by the FBR shareholders and FBR having at least the minimum cash and financial instrument amount after giving effect to the pre-closing dividend. To the extent practicable, the payment date for the pre-closing dividend will be the close of business on the last business day prior to the closing of the merger.

Only FBR shareholders who hold FBR common shares as of the record date for the pre-closing dividend will be entitled to receive payment of the pre-closing dividend. 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.

## [Table of Contents](#)

### **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, including Mr. Hendrix, the Chief Executive Officer of FBR and Chairman of the FBR board of directors, and Mr. Wright, the Chief Financial Officer 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.

The B. Riley board of directors and management of B. Riley regularly discuss industry developments in respect of B. Riley's various lines of business, and continuously evaluate ways in which to enhance B. Riley's results of operations and competitive position in each of these lines of business through various transactions, including acquisitions, consistent with B. Riley's strategic objectives. Members of the management of B. Riley have been familiar with FBR and its management for a number of years, and have, from time to time, considered a potential transaction involving FBR, among other alternatives, in the course of their regular discussions.

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. Each of the industry participants and FBR considered the potential value that could be created by combining their businesses. Mr. Hendrix and Mr. Wright 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. Mr. Hendrix and Mr. Wright also reported on these early-stage discussions to members of the FBR board of directors. After considering the possibility of combining their respective businesses and conducting initial due diligence, FBR and the industry participants (other than the industry participant discussed below but including B. Riley) determined that it would not be in the best interests of their respective companies and shareholders to proceed with a transaction at that time. The discussions with B. Riley did not progress further 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, including Mr. Hendrix and Mr. Wright, began discussing a potential strategic acquisition of another industry participant. In December 2016 through the beginning of January 2017, Mr. Hendrix and Mr. Wright and the industry participant began negotiating terms under which FBR would acquire the other industry participant.

In the middle of January 2017, Mr. Riley, the Chief Executive Officer of B. Riley and Chairman of the B. Riley board of directors, informed Mr. Hendrix that he would be interested in meeting again and the two of them met for an informal breakfast on January 25, 2017. On January 31, 2017, Mr. Riley notified Mr. Hendrix that Mr. Riley was interested in recommencing transaction discussions. Mr. Riley and Mr. Hendrix then 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.

## Table of Contents

On February 6, 2017, Mr. Riley sent Mr. Hendrix 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 (including Mr. Hendrix) reviewed B. Riley's proposal with Mr. Wright and Mr. Beske, the General Counsel 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 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, Mr. Hendrix, Mr. Wright, Mr. Riley and Tom Kelleher, the President of B. Riley, 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, Mr. Hendrix provided an update on the discussions that it had with Mr. 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, Mr. Hendrix 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, including the discussions that had taken place with other industry participants earlier in the year, the 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.



## [Table of Contents](#)

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. Mr. Hendrix, Mr. Wright, Mr. Riley and Mr. Kelleher 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 Mr. Wright, Mr. Beske, Mr. Kenneth Slosser, Head of Investment Banking and Mr. Adam Fishman, Head of Institutional Brokerage, and representatives of Berkshire Capital and Wachtell Lipton. Mr. Hendrix 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 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. Representatives of Wachtell Lipton and the FBR board of directors also discussed the provisions of the merger agreement relating to the calculation of the pre-closing dividend in detail.

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. In addition, the FBR board of directors, with input from Mr. Hendrix and Mr. Wright, discussed the nature of the consideration to be received by FBR shareholders, including management's estimate that the pre-closing dividend would be equal to \$8.50 per FBR common share at the effective time. The FBR board of directors considered that the value of the merger consideration, which would be fixed at signing, would fluctuate based on the value of B. Riley's common shares, and that the actual value of the pre-closing dividend would depend on FBR's financial performance between the execution of the merger agreement and the effective time of the merger. The FBR board of directors weighed the potential risks related to the decrease in the merger consideration based on B. Riley's share price and the decrease of the pre-closing dividend based on FBR's performance against the potential benefits of the merger to FBR shareholders, including the expectation that the combined company would have a broad and diversified revenue base and, as a result, less volatility and greater prospects. The FBR board of directors determined that, based on the information presented and available to it at this and prior meetings and based on its discussions with management at this and prior meetings, that the benefits of a combined business, which FBR's shareholders would be able to continue to participate in as shareholders of the combined company, outweighed the potential risk that the merger consideration would materially decrease prior to the effective time of the merger and/or that the pre-closing dividend would substantially decrease or not become payable at all. 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, including the

## [Table of Contents](#)

assumption that the value of the pre-closing dividend would be equal to \$8.50 per share, 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.

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



## Table of Contents

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;
- 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;

## Table of Contents

- 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 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.

## Table of Contents

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 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.

## [Table of Contents](#)

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.

	<u>Year Ending December 31, 2017</u>	
	(\$ in millions, except per share amount)	
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
	<u>March 31, 2017</u>	
	(\$ in millions)	
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.

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

## Table of Contents

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 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;
- 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.

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

## Table of Contents

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.

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.



[Table of Contents](#)
**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:

	Trading Multiples For FBR Based on Closing Stock Price on February 16, 2017	Implied Multiples	
		Based on Merger Consideration	Based on Transaction Consideration
<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 Pre-Tax</u></b>			
<b><u>Income:</u></b>			
Unaudited Adjusted Fiscal Year 2016	NM	NM	NM
Estimated Fiscal Year 2017	15.8x	11.0x	18.9x
<b><u>Market Value as a Multiple of</u></b>			
<b><u>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

[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 expenses, 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:

Target	Acquiror
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.

	Trading Multiples For FBR Based on Closing Stock Price on February 16, 2017	Implied Multiples		Implied Multiples of Precedent Transaction		
		Based on Merger Consideration	Based on Transaction Consideration	Minimum	Median	Maximum
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

## [Table of Contents](#)

### ***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:

- 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 for the most recent quarter; (ii) market capitalization is based on the weighted average diluted shares outstanding for the most recent quarter, other than for the implied multiples based on the merger consideration and transaction consideration, the aggregate values for which are based on 7,895,386 FBR common shares outstanding; (iii) FBR and B. Riley's trading multiples based on weighted average diluted shares outstanding for the quarter ended December 31, 2016 of 7,311,000 and 19,154,548, respectively, and; (iv) market value is defined as market capitalization plus noncontrolling interest.

[Table of Contents](#)

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  Closing Stock Price on February 16, 2017	Implied Multiples				
		Based on Merger Consideration	Based on 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	0.4x	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	14.7x	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 (Pre-Dividend)	1.1x	NA	1.4x	0.7x	3.0x	16.1x

	Trading Multiples For B. Riley Based on Closing Stock Price on February 16, 2017	Implied Multiples of Guideline Public Companies		
		Minimum	Median	Maximum
Enterprise Value as a Multiple of LTM Revenues	1.3x	0.3x	2.1x	3.1x
Enterprise Value as a Multiple of Forecast Fiscal Year 2017 Revenues	1.3x	0.3x	1.9x	2.9x
Market Value as a Multiple of LTM Pre-Tax Income	6.6x	9.3x	12.3x	19.7x
Market Value as a Multiple of Estimated Fiscal Year 2017 Pre-Tax Income	7.5x	7.0x	10.8x	13.3x
Market Value as a Multiple of Tangible Book Value	6.2x	0.7x	3.0x	16.1x

## [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 Tangible Book Value Per Share	\$ 2.78
Pro Forma Estimated Tangible Book Value 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.

<u>Announcement Date</u>	<u>Acquiror</u>	<u>Target</u>
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.

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

### *Transaction Premium Analysis*

Berkshire Capital assumed an announcement date of February 17, 2017 for the merger for its 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.

	<u>FBR Stock Price (\$)</u>			
	<u>5-Year</u>	<u>1-Year</u>	<u>90-Day</u>	<u>10-Day</u>
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

	<u>FBR Average Daily Trading Volume (thousands)</u>			
	<u>5-Year</u>	<u>1-Year</u>	<u>90-Day</u>	<u>10-Day</u>
Minimum	2	4	4	10
Median	34	22	21	30
Maximum	1,062	590	103	77

	<u>5-Year Stock Price Performance</u>	
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

	<u>Price /</u>			
	<u>Tangible Book Value</u>	<u>Book Value</u>	<u>LTM Revenues</u>	<u>LTM Earnings</u>
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.

	<u>B. Riley Stock Price (\$)</u>			
	<u>November 7, 2014</u>	<u>1-Year</u>	<u>90-Day</u>	<u>10-Day</u>
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)**

	<u>November 7, 2014</u>	<u>1-Year</u>	<u>90-Day</u>	<u>10-Day</u>
Minimum	0	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**

	<u>Price /</u>			
	<u>Tangible Book Value</u>	<u>Book Value</u>	<u>LTM Revenues</u>	<u>LTM Earnings</u>
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.



[Table of Contents](#)**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;

## [Table of Contents](#)

- 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;
- 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.

## [Table of Contents](#)

### **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

## [Table of Contents](#)

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 April 17, 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 April 17, 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.

## [Table of Contents](#)

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.

## [Table of Contents](#)

### ***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 April 17, 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 fully 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."

Each of Kenneth P. Slosser, FBR's Executive Vice President and Head of Investment Banking, Adam J. Fishman, FBR's Executive Vice President and Head of Institutional Brokerage, and Bradley J. Wright, FBR's Executive Vice President, Chief Financial Officer, Treasurer, and Chief Administrative Officer, have been allocated awards under the retention pool having an aggregate grant date fair market value equal to \$800,000, \$800,000, and \$400,000, respectively. The awards will vest on the third anniversary of the closing date, subject to the executive officer's continued employment with B. Riley or its affiliates through such anniversary and to accelerated vesting upon an earlier qualifying termination.



[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 April 17, 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 (\$)(1)(2)</b>	<b>Equity (\$)(3)</b>	<b>Perquisites/Benefits (\$)(4)</b>	<b>Other (\$)(5)</b>	<b>Total (\$)</b>
Richard J. Hendrix	2,884,859	1,180,484	88,506	141,452	4,295,301
Bradley J. Wright	138,462	927,356	—	141,452	1,207,269
Kenneth P. Slosser	250,000	1,054,412	—	141,452	1,445,864
Adam J. Fishman	250,000	1,054,412	—	141,452	1,445,864
Gavin A. Beske	175,000	446,213	—	56,581	677,793
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 (\$418,192), 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 April 17, 2017, the prorated annual incentive bonus payable to Mr. Hendrix through such date would be \$418,192. 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



## [Table of Contents](#)

earned as of the date of termination, in each case, under the FBR severance policy. Both payments are “double-trigger.” Set forth below are the separate value of the severance payment and any unpaid commissions.

<u>Name</u>	<u>Severance Payment  (“Double-Trigger”)  (\$)</u>	<u>Commission Payment  (“Double-Trigger”)  (\$)</u>
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 held by named executive officers will vest and be settled at the effective time (i.e., “single-trigger” vesting) and all other FBR equity awards held by named executive officers 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.

<u>Name</u>	<u>FBR Options  (\$)</u>	<u>FBR Restricted  Stock  (\$)</u>	<u>FBR RSUs  (\$)</u>	<u>FBR PSUs  (\$)</u>
Richard J. Hendrix	—	—	760,259	420,225
Bradley J. Wright	—	—	633,202	294,154
Kenneth P. Slosser	—	—	760,259	294,154
Adam J. Fishman	—	—	760,259	294,154
Gavin A. Beske	—	—	278,112	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

## [Table of Contents](#)

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.

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. The parties received notice of the early termination of the applicable waiting period under the HSR Act on March 22, 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. FBR received approval of each broker-dealer subsidiary's Continuing Membership Application on April 10, 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