Form **8937**
(December 2011)
Department of the Treasury
Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

OMB No. 1545-2224

Part I Reporting Issuer

1 Issuer's name B. Riley Financial, Inc.		2 Issuer's employer identification number (EIN) 27-0223495
3 Name of contact for additional information Investor Relations	4 Telephone No. of contact (818) 884-3737	5 Email address of contact ir@brileyfin.com
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 21255 Burbank Boulevard, Suite 400		7 City, town, or post office, state, and Zip code of contact Woodland Hills, California 91367
8 Date of action June 1, 2017	9 Classification and description Common Stock	

10 CUSIP number 05580M108	11 Serial number(s)	12 Ticker symbol RILY	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ See attached statement.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ See attached statement.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ See attached statement.

Part II **Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶
IRC 301, 302, 356, 358, and 368(a)

18 Can any resulting loss be recognized? ▶ Holders may generally recognize loss, if any, equal to the excess, if any, of their basis in their fractional share interest and the cash received in lieu thereof.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The adjustment to basis occurs in the tax year of the stockholder during which the merger occured (e.g., 2017 for calendar year taxpayers).

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ Phillip J Ahn Date ▶ 7/14/2017

Print your name ▶ Phillip J. Ahn Title ▶ CFO & COO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

B. Riley Financial, Inc.
EIN: 27-0223495
Attachment to Form 8937

Form 8937 Part II, Line 14

On June 1, 2017, pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of March 15, 2017, and effective as of February 17, 2017 (as amended, modified or otherwise supplemented, the "Merger Agreement"), by and among FBR & Co., a Virginia corporation ("FBR"), B. Riley Financial, Inc., a Delaware corporation ("B. Riley"), and BRC Merger Sub, LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of B. Riley ("Merger Sub"), FBR merged with and into Merger Sub, with Merger Sub continuing as the surviving company (the "Merger").

Pursuant to the terms of the Merger Agreement, at the effective time of the Merger, each outstanding share of FBR common stock, par value $0.001 per share ("FBR Common Shares"), excluding certain specified shares as described in the Merger Agreement, was converted into the right to receive 0.671 of a share of B. Riley common stock, par value $0.0001 per share ("B. Riley Common Shares"). For each fractional share that would have otherwise been issued, B. Riley paid cash in an amount equal to such fraction (rounded to the nearest thousandth when expressed in decimal form) multiplied by $14.41.

In addition, on May 19, 2017 the board of directors of FBR declared a special cash dividend (the "Pre-Closing Dividend") to FBR shareholders of record at the close of business on May 30, 2017. The Pre-Closing Dividend on a per share basis was equal to $7.61 and was paid by FBR on or about June 1, 2017.

Form 8937 Part II, Line 15

B. Riley will treat the Merger as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code, as amended. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Further discussion of the tax consequences of the Merger can be found in the Joint Proxy Statement/Prospectus filed with the U.S. Securities and Exchange Commission on May 1, 2017, under the heading "Material U.S. Federal Income Tax Consequences of the Merger" (available at https://www.sec.gov/Archives/edgar/data/1464790/000119312517151786/d525207d424b3.htm).

FBR shareholders that received B. Riley Common Shares in the Merger generally will not recognize gain or loss, except with respect to cash received instead of fractional B. Riley Common Shares (as discussed below). The aggregate tax basis of the B. Riley Common Shares received in the Merger (including any fractional shares deemed received and redeemed for cash as described below) will equal a shareholder's aggregate adjusted tax basis in the FBR Common Shares surrendered in the Merger. The shareholder's holding period for the B. Riley Common Shares received in the Merger (including any fractional share deemed received and redeemed for cash as described below) will include the shareholder's holding period of the FBR Common

Shares surrendered in the Merger. If the shareholder acquired different blocks of FBR Common Shares at different times or at different prices, the B. Riley Common Shares received will be allocated pro rata to each block of FBR Common Shares, and the basis and holding period of each block of B. Riley Common Shares received will be determined on a block-for-block basis depending on the basis and holding period of the blocks of FBR Common Shares exchanged for such block of B. Riley Common Shares.

An FBR shareholder that received cash instead of a fractional share of B. Riley Common Shares will be treated as having received such fractional share of B. Riley Common Shares pursuant to the Merger and then as having sold such fractional share of B. Riley Common Shares for cash. As a result, the shareholder generally will recognize gain or loss equal to the difference between the amount of cash received and the shareholder's basis in the fractional share of B. Riley Common Shares as set forth above.

Although the tax treatment of the Pre-Closing Dividend is not entirely clear, FBR and B. Riley intend to report the Pre-Closing Dividend as a distribution with respect to FBR Common Shares for U.S. federal income tax purposes. The Internal Revenue Service may take the position that the Pre-Closing Dividend is additional cash received in connection with the Merger, and to the extent it were to prevail, the amount of the Pre-Closing Dividend would not be treated as a distribution as described in the succeeding paragraphs and would instead be treated as cash received by FBR shareholders in exchange for such shares, with the result that a shareholder would recognize gain (but not loss) in an amount equal to the lesser of (1) the amount of gain realized (*i.e.*, the excess of the sum of the amount of cash received in the Pre-Closing Dividend and the fair market value of the B. Riley Common Shares received pursuant to the merger over its adjusted tax basis in the FBR Common Shares surrendered) and (2) the amount of cash received pursuant to the Pre-Closing Dividend (excluding any cash received in lieu of a fractional share).

If, as expected, the Pre-Closing Dividend is treated as a distribution with respect to FBR Common Shares, the amount paid to holders generally would be treated first as a taxable dividend to the extent of the holder's pro rata share of FBR's current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), then as a non-taxable return of capital to the extent of the holder's basis in its FBR Common Shares, and finally as capital gain from the sale or exchange of FBR Common Shares. FBR estimates that it did not have current or accumulated earnings and profits for its taxable year ending in connection with the merger, and therefore an FBR shareholder's basis in its FBR Common Shares will be reduced by the amount of the Pre-Closing Dividend received. FBR shareholders should use this adjusted basis in determining their basis in the B. Riley Common Shares received in the Merger.

Form 8937 Part II, Line 16

See description of basis calculation in Part II, Line 15, above. One method for calculating the fair market value of one share of B. Riley Common Shares at the effective time of the Merger would be to take the average of the high and low trading prices of B. Riley Common Shares on June 1, 2017, the effective date of the Merger. By this method, the fair market value of each B. Riley Common Share received in the Merger on June 1, 2017 is $14.675, which is the average of the high ($15.00) and low ($14.30) trading prices of B. Riley Common Shares on June 1, 2017. Other reasonable methods may exist, however, and shareholders should consult their tax advisors.