

SCHNITZER STEEL INDUSTRIES INC

Form 10-Q

April 07, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the Quarterly Period Ended February 29, 2016

Or

Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the Transition Period from _____ to _____
Commission File Number 0-22496

SCHNITZER STEEL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

OREGON

(State or other jurisdiction of
incorporation or organization)

93-0341923

(I.R.S. Employer
Identification No.)

299 SW Clay St., Suite 350

Portland, OR

(Address of principal executive offices)

(503) 224-9900

(Registrant's telephone number, including area code)

97201

(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The Registrant had 26,450,095 shares of Class A common stock, par value of \$1.00 per share, and 305,900 shares of Class B common stock, par value of \$1.00 per share, outstanding as of April 1, 2016.

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FORWARD-LOOKING STATEMENTS

Statements and information included in this Quarterly Report on Form 10-Q by Schnitzer Steel Industries, Inc. (the “Company”) that are not purely historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and are made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Except as noted herein or as the context may otherwise require, all references to “we,” “our,” “us” and “SSI” refer to the Company and its consolidated subsidiaries.

Forward-looking statements in this Quarterly Report on Form 10-Q include statements regarding future events or our expectations, intentions, beliefs and strategies regarding the future, which may include statements regarding trends, cyclicity and changes in the markets we sell into; expected results, including pricing, sales volumes and profitability; strategic direction; changes to manufacturing and production processes; the cost of and the status of any agreements or actions related to our compliance with environmental and other laws; expected tax rates, deductions and credits; the realization of deferred tax assets; planned capital expenditures; liquidity positions; ability to generate cash from continuing operations; the potential impact of adopting new accounting pronouncements; obligations under our retirement plans; benefits, savings or additional costs from business realignment, cost containment and productivity improvement programs; and the adequacy of accruals.

Forward-looking statements by their nature address matters that are, to different degrees, uncertain, and often contain words such as “believes,” “expects,” “anticipates,” “intends,” “assumes,” “estimates,” “evaluates,” “may,” “will,” “could,” “opportunity,” “forecasts,” “projects,” “plans,” “future,” “forward,” “potential,” “probable,” and similar expressions. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.

We may make other forward-looking statements from time to time, including in reports filed with the Securities and Exchange Commission, press releases and public conference calls. All forward-looking statements we make are based on information available to us at the time the statements are made, and we assume no obligation to update any forward-looking statements, except as may be required by law. Our business is subject to the effects of changes in domestic and global economic conditions and a number of other risks and uncertainties that could cause actual results to differ materially from those included in, or implied by, such forward-looking statements. Some of these risks and uncertainties are discussed in “Item 1A. Risk Factors” in Part I of our Annual Report on Form 10-K and in Part II of our Quarterly Reports on Form 10-Q. Examples of these risks include: potential environmental cleanup costs related to the Portland Harbor Superfund site; the cyclicity and impact of general economic conditions; volatile supply and demand conditions affecting prices and volumes in the markets for both our products and raw materials we purchase; imbalances in supply and demand conditions in the global steel industry; the impact of goodwill impairment charges; the impact of long-lived asset impairment charges; the realization of expected benefits or cost reductions associated with productivity improvement and restructuring initiatives; difficulties associated with acquisitions and integration of acquired businesses; customer fulfillment of their contractual obligations; the impact of foreign currency fluctuations; potential limitations on our ability to access capital resources and existing credit facilities; restrictions on our business and financial covenants under our bank credit agreement; the impact of the consolidation in the steel industry; inability to realize expected benefits from investments in technology; freight rates and the availability of transportation; the impact of equipment upgrades and failures on production; product liability claims; the impact of impairment of our deferred tax assets; the impact of a cybersecurity incident; costs associated with compliance with environmental regulations; the adverse impact of climate change; inability to obtain or renew business licenses and permits; compliance with greenhouse gas emission regulations; reliance on employees subject to collective bargaining agreements; and the impact of the underfunded status of multiemployer plans in which we participate.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

SCHNITZER STEEL INDUSTRIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except per share amounts)

	February 29, 2016	August 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$8,940	\$22,755
Accounts receivable, net of allowance for doubtful accounts of \$2,345 and \$2,496	81,159	111,492
Inventories	146,030	156,532
Deferred income taxes	—	2,792
Refundable income taxes	7,123	7,263
Prepaid expenses and other current assets	17,720	21,531
Total current assets	260,972	322,365
Property, plant and equipment, net of accumulated depreciation of \$703,561 and \$679,035	393,768	427,554
Investments in joint ventures	12,699	15,320
Goodwill	166,276	175,676
Intangibles, net of accumulated amortization of \$3,788 and \$6,918	5,477	6,353
Other assets	12,981	15,031
Total assets	\$852,173	\$962,299
Liabilities and Equity		
Current liabilities:		
Short-term borrowings	\$620	\$584
Accounts payable	53,083	57,105
Accrued payroll and related liabilities	16,658	25,478
Environmental liabilities	882	924
Accrued income taxes	—	148
Other accrued liabilities	34,090	36,207
Total current liabilities	105,333	120,446
Deferred income taxes	16,933	19,138
Long-term debt, net of current maturities	197,219	227,572
Environmental liabilities, net of current portion	44,894	45,869
Other long-term liabilities	10,722	10,723
Total liabilities	375,101	423,748
Commitments and contingencies (Note 6)		
Schnitzer Steel Industries, Inc. (“SSI”) shareholders’ equity:		
Preferred stock – 20,000 shares \$1.00 par value authorized, none issued	—	—
Class A common stock – 75,000 shares \$1.00 par value authorized, 26,444 and 26,474 shares issued and outstanding	26,444	26,474
Class B common stock – 25,000 shares \$1.00 par value authorized, 306 and 306 shares issued and outstanding	306	306
Additional paid-in capital	23,494	26,211
Retained earnings	463,257	520,066
Accumulated other comprehensive loss	(40,078) (38,522
Total SSI shareholders’ equity	473,423	534,535
Noncontrolling interests	3,649	4,016

Total equity	477,072	538,551
Total liabilities and equity	\$852,173	\$962,299

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of these statements.

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SCHNITZER STEEL INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share amounts)

Revenues

Operating expense:

Cost of goods sold

Selling, general and administrative

(Income) loss from joint ventures

Goodwill impairment charge

Other asset impairment charges

Restricts the Committee to grant performance-based awards in the form of Performance Units that the Committee may or may as "Performance Compensation Awards" that are intended to be exempt from Code section 162(m) limitations. In either case, Awards vest and become payable based upon the achievement, within the specified period of time, of performance objectives a individual, the Company or any affiliate. Performance Awards are payable in shares of common stock, cash or some combinati provided that that the maximum number of Shares with respect to which Performance Awards (as well as Options and SARs) n to any Participant in any calendar year shall be 1,000,000 Shares (or, for Performance Units to be settled in cash, \$6,000,000). decides the length of performance periods, but the periods may not be less than one fiscal year of the Company.

With respect to Performance Compensation Awards, the 2009 Plan requires that the Committee specify in writing within the tir Code Section 162(m) the performance period to which the Award relates, and an objective formula by which to measure wheth extent to which the Award is earned on the basis of the level of performance achieved with respect to one or more performance Once established for a performance period, the performance measures and performance formula applicable to the Award may n or modified in a manner that would cause the compensation payable under the Award to fail to constitute performance-based co under Code section 162(m).

Under the 2009 Plan, the possible performance measures for Performance Compensation Awards include, but are not limited to (before or after dividends); stock price; stockholder return or total stockholder return; return on investment; market capitalizatio leverage (debt to capital); sales or net sales; income, pre-tax income or net income; operating profit, net operating profit or econo return on operating revenue or return on operating assets; operating ratio; market share improvement; customer service; produc enhancements; working capital; licensing; human resources; sales of assets of Affiliates or business units; earnings per share (in without limitation, earnings before interest, taxes, depreciation and amortization); return on equity; return on capital (including limitation return on total capital or return on invested capital); return on assets or net assets; economic value added; revenue; ba operating income or pre-tax profit; gross margin, operating margin or profit margin; cash from operations; operating revenue; g administrative expenses; new production introductions; strategic mergers or acquisitions; research; litigation; and information s measure will be, to the extent applicable, determined in accordance with generally accepted accounting principles as consistent the Company (or such other standard applied by the Committee) and, if so determined by the Committee, and in the case of a P Compensation Award, to the extent permitted under Code section 162(m), adjusted to omit the effects of extraordinary items, g the disposal of a business segment, unusual or infrequently occurring events and transactions and cumulative effects of changes principles. Performance measures may vary from performance period to performance period, and from Participant to Participant established on a stand-alone basis, in tandem or in the alternative.

Forfeiture. Unless otherwise provided in an agreement granting an Award, the Company has the following recourse against a Participant who does not comply with certain employment-related covenants, either during or after employment: the Company may terminate a Participant's employment, rescind any unexercised, unexpired, unpaid, or deferred Awards, rescind any exercise, payment or delivery pursuant to the Award, or recapitalize the Company with common stock (whether restricted or unrestricted) or proceeds from the Participant's sale of shares issued pursuant to the Award. The same recoupment rights are available to the Company with respect to Awards that are granted, vested, or settled during certain periods of time affected by a Participant's fraud or misconduct, or a financial restatement.

Income Tax Withholding. As a condition for the issuance of shares pursuant to Awards, the 2009 Plan requires satisfaction of all applicable federal, state, local, or foreign withholding tax obligations that may arise in connection with the award or the issuance of shares.

Transferability. Awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of other than by will or the laws of descent and distribution, except to the extent the Committee permits lifetime transfers in the form of Non-ISOs, Share-settled SARs, Restricted Shares, or Performance Shares to charitable institutions, certain family members or related trusts, or as otherwise approved by the Committee.

Certain Corporate Transactions. The Committee shall equitably adjust the number of shares covered by each outstanding Award to reflect the number of shares that have been authorized for issuance under the 2009 Plan but as to which no Awards have yet been granted. The Committee shall also adjust the number of shares that have been returned to the 2009 Plan upon cancellation, forfeiture or expiration of an Award, as well as the price per share covered by an outstanding Award, to reflect any increase or decrease in the number of issued shares resulting from a stock split, reverse stock split, dividend, combination, recapitalization or reclassification of the shares, or any other increase or decrease in the number of issued shares effected without receipt of consideration by the Company. In the event of any such transaction or event, the Committee may provide for substitution for any or all outstanding Options under the 2009 Plan such alternative consideration (including securities of any class) as it may in good faith determine to be equitable under the circumstances and may require in connection therewith the surrender of the Options so replaced. In any case, such substitution of securities will not require the consent of any person who is granted options pursuant to the 2009 Plan.

In addition, in the event of a Change in Control (as defined in the 2009 Plan) but subject to the terms of any Award agreements in effect at the time of employment or other similar agreement between the Company or any of its affiliates and a Participant then in effect, each outstanding Award shall be assumed or a substantially equivalent award shall be substituted by the surviving or successor corporation or a parent or subsidiary of such surviving or successor corporation upon the consummation of the transaction; provided, however, that to the extent outstanding Awards are neither being assumed nor replaced with substantially equivalent Awards by the successor corporation, the Committee may, in its absolute discretion and authority, without obtaining the approval or consent of the Company's stockholders or any Participant, with respect to his or her outstanding Awards, take one or more of the following actions: (a) accelerate the vesting of Awards for any period so that they shall vest (and, to the extent applicable, become exercisable) as to the shares of common stock that otherwise would have been subject to provide that repurchase rights of the Company with respect to shares of common stock issued pursuant to an Award shall lapse with respect to shares of common stock subject to such repurchase right; (b) arrange or otherwise provide for payment of cash or other consideration in exchange for the satisfaction and cancellation of outstanding Awards; or (c) terminate all or some Awards upon the consummation of the transaction, provided that the Committee shall provide for vesting of such Awards in full as of a date immediately prior to consummation of the Change of Control. To the extent that an Award is not exercised prior to consummation of a transaction in which the Award is assumed or substituted, such Award shall terminate upon such consummation.

Notwithstanding the above, in the event a Participant holding an Award assumed or substituted by the successor corporation in Control is Involuntarily Terminated (as defined in the 2009 Plan) by the successor corporation in connection with, or within 12 months of, or any other period either set forth in an Award Agreement, or as increased thereafter by the Committee to a period longer than 12 months after the consummation of, the Change in Control, then any assumed or substituted Award held by the terminated Participant at the time of termination shall accelerate and become fully vested (and exercisable in full in the case of Options and SARs), and any repurchase right applicable to such shares of common stock shall lapse in full. The acceleration of vesting and lapse of repurchase rights provided for in the previous paragraph shall occur immediately prior to the effective date of the Participant's termination.

In the event of any distribution to the Company's stockholders of securities of any other entity or other assets (other than dividends or cash or stock of the Company) without receipt of consideration by the Company, the Committee may, in its discretion, appropriately adjust the exercise price per share covered by each outstanding Award to reflect the effect of such distribution. Finally, if the Company dissolves or liquidates, all Awards will terminate immediately prior to such dissolution or liquidation, subject to the ability of the Board to exercise any distribution rights the Board may exercise in the case of a Change in Control.

Term of the 2009 Plan; Amendments or Termination. The term of the 2009 Plan is ten years from October 7, 2014, the date the original and restatement of the 2019 Plan was approved by our board of directors and the stockholders. The Board may from time to time amend, alter, suspend, discontinue or terminate the 2009 Plan; provided that no amendment, suspension or termination of the 2009 Plan shall materially and adversely affect Awards already granted. Furthermore, neither the Company nor the Committee shall, without stockholder approval, allow for a repricing within the meaning of the federal securities laws applicable to proxy statement disclosures. In addition, the Committee may not cancel an outstanding Option whose exercise price is greater than Fair Market Value at the time of cancellation for the purpose of reissuing the Option to the participant at a lower exercise price or granting a replacement award of a different type. Notwithstanding the foregoing, the Committee may amend the 2009 Plan to comply with changes in tax or securities laws or the interpretation thereof.

Expected Tax Consequences

The following is a brief summary as of this date of certain federal income tax consequences of certain transactions under the 2017 Tax Act. This summary is not intended to be complete and does not describe state or local tax consequences. The federal tax laws may change. Federal, state and local tax consequences for any Participant will depend upon his or her individual circumstances. Tax consequences for a particular individual may be different.

U.S. Federal Income Tax Consequences

The material federal income tax consequences of the issuance and exercise of stock options and other awards under the Plan, based on current provisions of the Code and regulations, are as follows. Changes to these laws could alter the tax consequences described in this summary. This summary assumes that all awards granted under the Plan are exempt from or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation.

Non-ISOs. A Participant will not recognize income at the time a Non-ISO is granted. At the time a Non-ISO is exercised, the Participant will recognize ordinary income in an amount equal to the excess of (a) the fair market value of the shares of common stock issued to the Participant on the exercise date, over (b) the exercise price paid for the shares. At the time of sale of shares acquired pursuant to the exercise of a Non-ISO, the appreciation (or depreciation) in value of the shares after the date of exercise will be treated either as short-term or long-term capital gain (or loss) depending on how long the shares have been held. A Non-ISO can also be considered non-qualified deferred compensation and subject to Section 409A of the Code. A Non-ISO that does not meet the requirements of Section 409A of the Code can result in the acceleration of income recognition, an additional 20% tax obligation plus penalties and interest.

ISOs. A Participant will not recognize income upon the grant of an ISO. There are generally no tax consequences to the Participant upon the exercise of an ISO (except the amount by which the fair market value of the shares at the time of exercise exceeds the option exercise price, which is a tax preference item possibly giving rise to an alternative minimum tax). If the shares of common stock are not disposed of within one year from the date the ISO was granted or within one year after the ISO was exercised, any gain realized upon the subsequent disposition of the shares will be characterized as long-term capital gain and any loss will be characterized as long-term capital loss. If both of the one-year period requirements are not met, then a “disqualifying disposition” occurs and (a) the Participant recognizes ordinary income to the extent by which the fair market value of the shares at the time of exercise exceeded the exercise price for the ISO and (b) any remaining gain realized on disposition (except for certain “wash” sales, gifts or sales to related persons) will be characterized as capital gain or loss.

Share Appreciation Rights. A Participant to whom a SAR is granted will not recognize income at the time of grant of the SAR. Upon the exercise of a SAR, the Participant must recognize taxable compensation income in an amount equal to the value of any cash or shares of common stock that the Participant receives. A SAR can also be considered non-qualified deferred compensation and subject to Section 409A of the Code. A SAR that does not meet the requirements of Section 409A of the Code can result in the acceleration of income recognition.

additional 20% tax obligation plus penalties and interest.

Restricted Shares, Restricted Share Units, Defined Share Units, and Performance Awards. In general, a Participant will not recognize income at the time of grant of restricted shares, restricted share units, defined share units or Performance Awards, unless the Participant elects to accelerate income taxation to the date of the Award. In this event, a Participant would recognize taxable compensation income equal to the excess of the market value of the restricted shares over any amount the Participant pays for them (in which case subsequent gain or loss would be capital in nature). In the absence of an election to accelerate income taxation to the date of an Award, a Participant must recognize taxable compensation income equal to the value of any cash or shares of common stock that the Participant receives when the Award vests. The same tax consequences apply to Performance Awards. Restricted share units can also be considered non-qualified deferred compensation and subject to Section 409A of the Code. A grant of restricted stock units that does not meet the requirements of Section 409A of the Code can result in the acceleration of income recognition, an additional 20% tax obligation plus penalties and interest.

Unrestricted Shares. A Participant will recognize income at the time of grant of unrestricted shares, in an amount equal to the excess of the market value of the unrestricted shares over any amount the Participant pays for them (in which case subsequent gain or loss would be capital in nature).

Special Tax Provisions. The Company may not be able to deduct the aggregate compensation in excess of \$1,000,000 attributable to the Awards that are not "performance-based" within the meaning of Code section 162(m) in certain circumstances. The 2009 Plan is not qualified under the provisions of Section 401(a) of the Code and is not subject to any provisions of the Employee Retirement Income Security Act.

Income Taxes and Deferred Compensation. The 2009 Plan provides that participants are solely responsible and liable for the same taxes and penalties that may arise in connection with Awards (including any taxes arising under Section 409A of the Code), and the Company will not have any obligation to indemnify or otherwise hold any Participant harmless from any or all of such taxes. Notwithstanding the above, the 2009 Plan authorizes the Committee to organize any deferral program, to require deferral election forms, and to grant or to modify any Award in a manner that (i) conforms with the requirements of Section 409A of the Code, (ii) that voids any Participant's election to the extent it would violate Section 409A of the Code, and (iii) for any distribution election that would violate Section 409A of the Code to make distributions pursuant to the Award at the earliest to occur of a distribution event that is allowable under Section 409A of the Code or any distribution event that is both allowable under Section 409A of the Code and is elected by the Participant, with the Committee's approval in accordance with Section 409A.

General Tax Law Considerations

The preceding paragraphs are intended to be merely a summary of certain important tax law consequences concerning a grant of an Award under the 2009 Plan and the disposition of shares issued thereunder in existence as of the date of this Proxy Statement. Special rules may apply to the Company's officers, directors or greater than ten percent stockholders. Participants in the 2009 Plan should review the current tax laws with their individual tax advisors at the time of grant, exercise or any other transaction relating to an Award or the underlying shares.

Plan Benefits

Generally, awards granted under the Amended Plan are at the discretion of the Committee. As such, with the exception of grants already made, it is not possible to determine the benefits or the amounts to be received under the Amended Plan by the Company's officers, employees, consultants or non-employee directors because the Amended Plan does not provide for set benefits or amounts with respect to awards granted under the Amended Plan, and we have not approved any awards that are conditioned on stockholder approval under Proposal 5. Similarly, the benefits or amounts which would have been received by or allocated to executive officers and our other directors for the last completed fiscal year if the Amended Plan had been in effect cannot be determined. For information regarding awards made to named executive officers under the 2009 Plan outstanding as of December 31, 2018, see "Outstanding Equity Awards at 2018 Year-End." For information regarding awards made to our directors under the 2009 Plan outstanding as of December 31, 2018, and for a description of our compensation program for directors, see "Director Compensation."

As of April 5, 2019, 831,183 options, warrants or rights granted under the 2009 Plan were issued and outstanding to our directors, executive officers and employees under the 2009 Plan, as shown below.

Name and Position	Awards No.	Dollar Value
Named Executive Officers		
Bryant R. Riley, Chairman and Co-Chief Executive Officer	79,308	1,364,098

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Thomas J. Kelleher, Co-Chief Executive Officer	49,568	852,570
Phillip J. Ahn, Chief Financial Officer and Chief Operating Officer	37,654	647,649
Andrew Gumaer, Chief Executive Officer of GAG, LLC	44,568	766,570
Kenneth Young, President and Chief Executive Officer of B. Riley Principal Investments, LLC	34,627	595,584
Andrew Moore, Chief Executive Officer of B. Riley FBR, Inc.	33,636	578,539
All current executive officers as a group	325,282	5,594,850
All current directors who are not executive officers as a group	11,310	194,532
Each director nominee	n/a	-
Each associate of all directors, nominees and executive officers	27,792	478,022
Each person who received 5% of such awards	n/a	-
All employees who are not executive officers as a group ⁽¹⁾	466,799	8,028,943

⁽¹⁾ The “associate”, as defined above, can also be categorized as an “employee who is not an executive officer”, however their shares are excluded from this total since the shares are already included in the associate category above.

Vote Required and Board of Directors’ Recommendation

Approval of this proposal requires the affirmative vote of a majority of the shares represented at the Annual Meeting and entitled to vote on the proposal. Abstentions and broker non-votes will not affect the outcome of the vote on this proposal.

The Board of Directors recommends that you vote “FOR” approval of the amendment of the amended and restated 2009 stock incentive Plan.

CORPORATE GOVERNANCE

Corporate Governance Guidelines

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

Director Independence

Our Board has unanimously determined that five (5) of our directors, Messrs. Antin, D'Agostino, Sheldon, Sims, and Williams, are "independent" directors as that term is defined by Nasdaq Marketplace Rule 5605(a)(2). In addition, based upon the Board's determination, the Board determined that Messrs. Riley, Gumaer, and Kelleher are not "independent" because of their service as employees of the Company.

Nominations for Directors

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

The Corporate Governance Committee identifies nominees by first evaluating the current members of the Board of Directors who are to continue in service. Current members of the Board of Directors with skills and experience that are relevant to the Company's business are also considered for re-election.

are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. If any member of the Board of Directors up for re-election at an upcoming meeting of stockholders does not wish to continue in service, the Corporate Governance Committee identifies the desired skills and experience of a new nominee in light of the criteria above. If the Corporate Governance Committee believes that the Board of Directors requires additional candidates for nomination, the committee may explore alternative sources for identifying additional candidates, which may include engaging, as appropriate, a third-party search firm to assist in identifying qualified candidates.

The Corporate Governance Committee reviews all nominees, including those recommended by stockholders, for nomination by the Board of Directors in accordance with the above requirements and qualifications to determine whether they possess attributes the Corporate Governance Committee believes would be most beneficial to the Company. The Corporate Governance Committee will select qualified candidates and make recommendations to the Board, which will formally decide whether to nominate the recommended candidates for election to the Board. Stockholders may recommend nominees for consideration by the Corporate Governance Committee by submitting the names and resumes of the following supporting information to the Company's Secretary: Corporate Secretary, Stockholder Nominations, B. Riley Financial, 10000 Burbank Blvd., Suite 400, Woodland Hills, California 91367. The submissions should include a current resume of the candidate, a letter describing the candidate's qualifications and contact information for personal and professional references. The submission should also include the name and address of the stockholder who is submitting the nominee, the number of shares which are owned of record or beneficially by the submitting stockholder and a description of all arrangements or understandings between the submitting stockholder and the nominee.

Our Bylaws provide that any stockholder who is entitled to vote at the annual meeting of our stockholders and who complies with the requirements described below may nominate persons for election to the Board of Directors. To be timely, a stockholder's notice of nomination must be delivered to or mailed and received at our principal executive offices not less than 60 days or more than 90 days prior to the first anniversary of the date on which we first mailed our proxy materials (or, in the absence of proxy materials, our notice of meeting) for the prior annual meeting of stockholders. However, if our annual meeting is more than thirty (30) days before or more than seventy (70) days after the anniversary date, notice by the stockholder to be timely must be delivered to our corporate secretary at our principal executive offices no earlier than the close of business the 90th day prior to such annual meeting and not later than the later of (1) the 60th day prior to the meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made.

The stockholder's notice relating to director nomination(s) shall set forth (a) as to each person whom the stockholder proposes for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of our capital stock which are beneficially owned by the person, and other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Exchange Act; (b) as to the stockholder giving the notice, (i) the name and record address of the stockholder, (ii) the class and number of shares of our capital stock which are beneficially owned by the stockholder, (iii) a representation that the stockholder is a holder of record of our capital stock entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination and (iv) a representation whether the stockholder or beneficial owner, if any, intends or is authorized to solicit proxies which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of our outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies from stockholders in support of such nomination. These notice requirements are deemed satisfied if the stockholder notifies us that he or she intends to present a nomination at the annual meeting in compliance with SEC rules and such stockholder's nomination has been included in a proxy statement that has been prepared by us.

Stockholder Communications with Directors

Stockholders may communicate with the Board of Directors by sending a letter to the Corporate Secretary, Stockholder Communications, B. Riley Financial, Inc., 21255 Burbank Blvd., Suite 400, Woodland Hills, California 91367. Each communication must set forth the name and address of the stockholder on whose behalf the communication is sent and should indicate in the address whether the communication is intended for the entire Board, the non-management directors as a group or an individual director. Each communication will be reviewed by the Secretary or his designee to determine whether it is appropriate for presentation to the Board or such director(s). Examples of inappropriate communications include junk mail, spam, mass mailings, resumes, job inquiries, surveys, business solicitations and advertisements that are unduly hostile, threatening, illegal, unsuitable, frivolous, patently offensive or otherwise inappropriate material. Communications that are to be appropriate for presentation to the Board or the director(s) to whom it is addressed will be submitted to the Board or such director(s) on a periodic basis. Any communications that concern complaints regarding accounting, internal controls or auditing matters will be handled in accordance with procedures adopted by the Audit Committee.

Code of Business Conduct and Ethics

Our Board has adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. The Business Conduct and Ethics is available for review on our website at <http://ir.brileyfin.com/corporate-governance>, and is also print, without charge, to any stockholder who requests a copy by writing to us at B. Riley Financial, Inc., 21255 Burbank Boulevard, 400, Woodland Hills, California 91367, Attention: Investor Relations. Each of our directors, employees and officers, including Executive Officer, Chief Financial Officer and Chief Accounting Officer, and all of our other principal executive officers, are in compliance with the Code of Business Conduct and Ethics. There have not been any waivers of the Code of Business Conduct and Ethics to any of our executive officers or directors in the past year.

Meetings and Committees of the Board

Our Board is responsible for overseeing the management of our business. We keep our directors informed of our business at all times through reports and analyses presented to the Board and the committees of the Board. Regular communications between our directors and management also occur apart from meetings of the Board and committees of the Board.

Meeting Attendance

Our Board normally meets quarterly but may hold additional meetings as required. During fiscal year 2018, the Board held four scheduled meetings. Each of our directors attended at least 75% of the Board meetings he was eligible to attend, and each director attended at least 75% of the meetings of each committee of the Board on which he was serving. We do not have a policy requiring that directors attend our annual meeting of stockholders. All our directors attended our 2018 annual meeting of stockholders.

Committees of the Board of Directors

Our Board currently has three standing committees to facilitate and assist the Board in the execution of its responsibilities: the Audit Committee, the Compensation Committee and the Corporate Governance Committee.

Audit Committee

Our Audit Committee is composed of Messrs. Mikel H. Williams (Chairperson), Todd D. Sims and Robert D'Agostino. Our Board has affirmatively determined that each member of the Audit Committee during 2018 was, and each current member is, independent as such term is defined under Nasdaq Marketplace Rule 5605(a)(2), and meets all other qualifications under Nasdaq Marketplace Rule 5605(c) and the applicable rules of the SEC. Our Board has also affirmatively determined that Mikel H. Williams qualifies as an "audit committee financial expert" as such term is defined in Regulation S-K under the Securities Act of 1933. During 2018, the Audit Committee held four meetings. The Audit Committee operates under a written charter, which is available for review on our website at <http://ir.brileyfin.com/corporate-governance>. The responsibilities of the Audit Committee include overseeing, reviewing and evaluating our financial statements, accounting and financial reporting procedures, internal control functions and the audits of our financial statements. The Audit Committee is also responsible for the appointment, compensation, retention, and as necessary, the termination of our independent auditors.

Compensation Committee

Our Compensation Committee is composed of Messrs. Robert D'Agostino (Chairperson), Robert L. Antin and Michael J. Shelton. Our Board has affirmatively determined that each member of the Compensation Committee during 2018 was, and each current member is, independent as such term is defined under Nasdaq Marketplace Rule 5605(a)(2) and the applicable rules of the SEC. During 2018, the Compensation Committee held three meetings. The Board has adopted a charter for the Compensation Committee (the "Compensation Committee Charter") which is available for review on our website at <http://ir.brileyfin.com/corporate-governance>. The Compensation Committee reviews and makes recommendations to the Board concerning the compensation and benefits of our executive officers, including the chief executive officer, and directors, oversees the administration of our stock incentive and employee benefits plans and reviews general policies regarding compensation and benefits.

Corporate Governance Committee

Our Corporate Governance Committee is composed of Messrs. Robert L. Antin (Chairperson), Robert D'Agostino and Mikel H. Williams. Our Board has affirmatively determined that each member of the Corporate Governance Committee during 2018 was, and each current member is, independent as such term is defined under Nasdaq Marketplace Rule 5605(a)(2). The Corporate Governance Committee evaluates and

recommends to the Board nominees for each election of directors. During 2018, the Corporate Governance Committee did not meet at any of our regular Board meetings, but acted two times by written consent. The Board has adopted a charter for the Corporate Governance Committee (the "Corporate Governance Committee Charter"), and a copy of that charter is available for review on our website at <http://ir.brileyfin.com/corporate-governance>. The responsibilities of the Corporate Governance Committee include making recommendations to the Board with respect to the nominations or elections of directors and providing oversight of our corporate governance policies and practices.

Board Leadership Structure

Pursuant to our Corporate Governance Guidelines and Bylaws, the Board may, but is not required to, select a Chairman of the Board on an annual basis. In addition, the positions of Chairman of the Board and Co-Chief Executive Officer may be filled by one individual or two different individuals. Mr. Riley, our Co-Chief Executive Officer, currently serves as Chairman of our Board.

The Board has determined that its current structure, with a combined Chairman and Co-Chief Executive Officer and independent members of each Board committee, is in the best interests of our company and our stockholders. The Board believes that combining the Chairman and Co-Chief Executive Officer positions is currently the most effective leadership structure for our company given Mr. Riley's in-depth knowledge of many of the businesses and industries in which we operate, his ability to formulate and implement strategy, and his extensive contact with and knowledge of certain of our customers. In addition, as a member of our Board of Directors since 2006, Executive Officer of B. Riley FBR, Inc. (formerly FBR Capital Markets & Co., LLC), Chairman of B. Riley & Co., LLC since 2006, stock brokerage firm in 1997 and Chief Executive Officer of B. Riley & Co., LLC from 1997 to 2006, Mr. Riley provides important continuity in the operation of our business and its oversight by our Board. His knowledge and experience, as well as his role as Co-Chief Executive Officer, provide that he is in a position to elevate the most critical business issues for consideration by our independent

We believe that the independent nature of the Board committees, as well as the practice of our independent directors regularly attending executive sessions without Mr. Riley, Mr. Gumaer, Mr. Kelleher or other members of our management present, ensures that our Board maintains a level of independent oversight of management that we believe is appropriate for our company. We do not have a Presiding Director; however, pursuant to our Corporate Governance Guidelines, the Board may at any time decide to appoint a Presiding Director to provide leadership of executive sessions of the Board and consult with the Chairman with respect to matters to be brought before the Board should it believe that such an appointment would be beneficial to the company and its stockholders.

Board Role in Risk Management

The Board as a whole has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant Board committees. These committees then provide reports to the full Board. The oversight responsibility of the Board and its committees is enabled through management reporting processes that are designed to provide visibility to the Board about the identification, assessment, and management of critical risks and management's risk mitigation strategies. These areas of focus include strategic, operational, financial and reputational risks, succession and compensation, and other risks. The Board and its committees oversee risks associated with their respective areas of responsibility, as summarized below. Each committee meets in executive session with key management personnel and representatives of outside advisors as required.

Board/Committee	Primary Areas of Risk Oversight
Full Board	Risks and exposures associated with our business strategy and other current matters that may present risks to our financial performance, operations, prospects or reputation.
Audit Committee	Overall risk management profile and policies with respect to risk assessment and risk management, non-legal proceedings involving the Company, other contingent liabilities, as well as other risks and exposures that may have a material impact on our financial statements.
Compensation Committee	Risks and exposures associated with management succession planning and executive compensation plan arrangements, including incentive plans.
Corporate Governance Committee	Risks and exposures associated with director succession planning, corporate governance, and overall Board effectiveness.

Certain Relationships and Related Party Transactions

Other than as described below, since the beginning of fiscal year 2018, there were no transactions to which we were or are a party, proposed transactions which we are to be a party in which the amount involved exceeds \$120,000 and in which any director, executive officer, or beneficial holder of more than 5% of any class of our voting securities or member of such person's immediate family had or may have a direct or indirect material interest.

John Ahn, President of our subsidiary Great American Capital Partners, LLC, is the brother of Phillip J. Ahn, one of our executive officers. Mr. J. Ahn was also President of B. Riley & Co, LLC until September 2016. Mr. J. Ahn's total compensation, consisting of base salary, commissions, dividend equivalent payment, and restricted stock units granted in fiscal year 2018 for services rendered to us was \$1,200,000, including the receipt of a restricted stock unit grant of 15,000 of our common shares with a grant date fair value of \$311,250, in accordance with the Financial Accounting Standards Board ("FASB") ASC 718, that vests as follows: 5,000 of such restricted stock units vest one-third on each of May 24, 2019, May 22, 2020, and May 24, 2021, subject to the individual's Continuous Service (as defined in the Amended and Restated 2009 Stock Incentive Plan) through the applicable vesting date. Additionally, Mr. J. Ahn is entitled to receive promptly following each vesting date an amount equal to the product of (i) the number of RSUs vested on such vesting date, multiplied by the total dividends declared and paid per share of common stock since the date of award. Mr. J. Ahn participates in various of our employee benefit programs, including health insurance benefits, life insurance benefits, and group life and long-term disability coverage, which are generally available to all other salaried employees.

Transfer Agreement, Line of Credit, and Security Agreement

On February 1, 2019, we entered into a Transfer Agreement (the "Transfer Agreement") with GACP II, LP ("GACP II"), a fund manager of Great American Capital Partners, LLC, our indirect wholly owned subsidiary ("GACP"), and John Ahn, the President of GACP. The Transfer Agreement provides for, among other things, the transfer to Mr. J. Ahn of our entire limited partnership interest in GACP II (the "Transferred Interest"), which represents a capital commitment in the aggregate amount of \$5.0 million. In connection with the Transfer Agreement, we provided Mr. J. Ahn with a non-recourse, secured line of credit in the aggregate amount of up to \$5,003,000, pursuant to the terms of a Secured Line of Credit Promissory Note (the "Note") dated February 1, 2019, to fund the purchase price of the Transferred Interest. We also entered into a Security Agreement with Mr. J. Ahn on February 1, 2019, which granted to us a security interest in the Transferred Interest to secure Mr. J. Ahn's obligations under the Note.

Separation Agreement

Effective November 2, 2018, Gary Wunderlich resigned from his positions as Chief Executive Officer of Wunderlich Investment Management Inc., our subsidiary, and as a director of the Company. In connection with his resignation, we entered into a Separation Agreement (the "Separation Agreement") with Mr. Wunderlich. The Separation Agreement provides for, among other things, the payment to Mr.

a severance package, including (i) a one-time payment of \$1,000,000 within 60 days following the agreement date, (ii) payment of one-half of Mr. Wunderlich's annual salary and average annual incentive payments in the aggregate amount of \$1,274,813 over a period of 24 months, (iii) accelerated vesting of 65,395 restricted stock units (RSUs), (iv) a payment of \$54,278 within 60 days following the agreement date representing accrued dividends on RSUs, and (v) COBRA payments for a period of up to 24 months following the agreement date. Also, pursuant to the Separation Agreement, Mr. Wunderlich provided a general release of claims against the Company and its subsidiaries.

B&W Agreements

On April 5, 2019, our subsidiary, B. Riley FBR, Inc. ("FBR"), agreed to provide Babcock & Wilcox, Inc., a Delaware corporation, (i) \$150.0 million in additional commitments under Tranche A-3 of last out term loans and (ii) an incremental uncommitted facility of \$15.0 million pursuant to Amendment No. 16 (the "Amendment"), to B&W's Credit Agreement, dated May 11, 2015 (as amended, the "Credit Agreement"), with Bank of America, N.A., as administrative agent and lender, and the other lenders party thereto. FBR and Vintage Capital Management, LLC ("Vintage Capital"), is a lender with respect to B&W's last out term loans under the Credit Agreement. Kenneth Young, our President, is the Chief Executive Officer of B&W and may be deemed to have an indirect interest in the transactions.

On April 5, 2018, in connection with the Tranche A-3 last out term loans, B&W, FBR and Vintage Capital entered into a letter agreement (the "Letter Agreement"), pursuant to which the parties agreed to use their reasonable best efforts to effect a series of equityization transactions (the "Equitization Transactions") to reduce the principal portion of the last out term loans extended under the Credit Agreement, subject to, among other things, approval by B&W's shareholders. These transactions (the "Equitization Transactions") consist of: (i) a \$50.0 million rights offering (the "Rights Offering") allowing B&W's shareholders to subscribe for shares of B&W's Common Stock at a price of \$0.30 per share (the "Subscription Price"), the proceeds of which will be used to prepay a portion of the last out term loans under the Credit Agreement, (ii) the exchange of Tranche A-1 last out term loans under the Credit Agreement for shares of B&W's Common Stock at a price per share equal to the Subscription Price (the "Debt Exchange"), and (iii) the issuance to FBR or its designees of an aggregate of 16,667,667 warrants, each to purchase one share of B&W's Common Stock at an exercise price of \$0.01 per share (the "Warrant Issuance"). FBR will use its reasonable best efforts to act as a backstop for the Letter Agreement to the extent the Rights Offering is not fully subscribed, by exchanging last out term loans that it holds for any unsubscribed shares of B&W's Common Stock in the Rights Offering at a price per share equal to the Subscription Price (the "Backstop Commitment").

The parties to the Letter Agreement also agreed to negotiate one or more additional agreements that will provide FBR and Vintage Capital with certain governance rights, including the right to nominate individuals to serve on B&W's board of directors (the "B&W Board"), certain continued lending and equity ownership thresholds and (ii) pre-emptive rights permitting FBR to participate in future issuances of B&W's equity securities. The size of the B&W Board will remain at seven directors.

B&W has committed, subject to shareholder approval and in consultation with FBR and Vintage Capital, to establish an equity award plan for the issuance of 16,666,666 shares of B&W's Common Stock for issuance to B&W's management, upon such terms (including any vesting and performance targets), in such amounts and forms of awards as the Compensation Committee of the B&W Board determines. The issuance of any shares of B&W's Common Stock (or other securities) in connection with the Equitization Transactions is subject to the receipt of the required shareholder approvals, and no shares of B&W's Common Stock (or other securities) will be issued before such approvals are obtained.

Escrow Agreement

On July 31, 2009, Andrew Gumaer and the other individual who was then a member of GAG, LLC, contributed all of their membership interests of GAG, LLC to us, which we refer to as the contribution, in exchange for our common shares and subordinated unsecured promissory notes issued in favor of Mr. Gumaer, the other member and the phantom equityholders of GAG, LLC. Concurrently with the contribution, Alternative Asset Management Acquisition Corp., which we refer to as AAMAC, merged with and into AAMAC Inc., our subsidiary, which transaction, together with the contribution, we refer to as the AAMAC acquisition.

In connection with the consummation of the AAMAC acquisition, we entered into an escrow agreement, dated as of July 31, 2009, which we refer to as the escrow agreement, with AAMAC, GAG, LLC, Andrew Gumaer, as representative of the members and phantom equityholders of GAG, LLC, and Continental Stock Transfer & Trust Company, as escrow agent, to provide a fund (a) to secure the indemnification obligations of GAG, LLC to AAMAC against losses that we, as the surviving entity of the AAMAC acquisition, may sustain as a result of (i) the inaccuracy or breach of any representation or warranty made by GAG, LLC in the acquisition agreement relating to the AAMAC acquisition or any schedule or certificate delivered by GAG, LLC in connection with such agreement and (ii) the non-fulfillment of any covenant or agreement made by GAG, LLC in such agreement, (b) to offset against any working capital shortfall pursuant to the acquisition agreement relating to the AAMAC acquisition or (c) to offset against any inventory amount shortfall. Pursuant to the escrow agreement, among other things, Mr. Gumaer and as the other member of GAG, LLC placed in escrow an aggregate of 66,000 of our common shares, which we refer to as the escrowed indemnification shares.

In August 2018, the shares held in escrow issued to the former members of Great American Group, LLC were released and 21,666,000 shares held in escrow were cancelled to satisfy the resolution of escrow claims. The shares that remain in escrow are subject to forfeiture upon the final settlement of claims as more fully described in the related escrow instructions. The shares that remain in escrow are also subject to release if the conditions for the final settlement of claims in accordance with the escrow instructions are satisfied during the respective periods.

Procedures for Approval of Related Party Transactions

Under its charter, the Audit Committee is charged with reviewing all potential related party transactions. Our policy has been that the Audit Committee, which is comprised solely of independent, disinterested directors, reviews and then recommends such related party transactions to the entire Board for further review and approval. All such related party transactions are then required to be reported under applicable SEC rules. Aside from this policy, we have not adopted additional procedures for review of, or standards for approval of, related party transactions, but instead review such transactions on a case-by-case basis.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who beneficially own more than 10% of our common stock to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC rules to furnish us with copies of all Section 16(a) forms filed by such person.

Based solely on our review of such forms furnished to us and written representations from such reporting persons, we believe that the requirements applicable to our executive officers, directors and more than 10% stockholders were met in a timely manner, except for two Form 4s with respect to restricted stock units awarded to directors Robert Antin, Robert D'Agostino, Todd Sims, Michael Sheldon and Michael Williams on August 21, 2018 were filed on September 18, 2018; and (ii) a Form 4 with respect to an acquisition of common stock by Todd Sims on August 9, 2018 was filed on March 18, 2019.

MANAGEMENT AND EXECUTIVE COMPENSATION

Executive officers are elected by our Board and serve at its discretion. There are no family relationships between any director or officer and any other directors or executive officers. Set forth below is information regarding our executive officers as of March 31, 2019.

Name	Position	Age
Bryant R. Riley	Chairman and Co-Chief Executive Officer	52
Thomas J. Kelleher	Co-Chief Executive Officer	51
Kenneth Young	President and Chief Executive Officer of B. Riley Principal Investments, LLC	55
Phillip J. Ahn	Chief Financial Officer and Chief Operating Officer	49
Andrew Gumaer	Chief Executive Officer of GAG, LLC	58
Alan N. Forman	Executive Vice President, General Counsel and Secretary	58
Howard Weitzman	Senior Vice President, Chief Accounting Officer	57
Andrew Moore	Chief Executive Officer of B. Riley FBR, Inc.	42

Messrs. Riley, Kelleher and Gumaer's biographical information is included with those of the other members of our Board.

Kenneth Young has served as President of B. Riley Financial, Inc. since July 2018, Chief Executive Officer of B. Riley Principal Investments, LLC since October 2016 and Chief Executive Officer of B. Riley Principal Merger Co., LLC since October 2018. Mr. Young currently serves as Chief Executive Officer at Babcock & Wilcox (NYSE:BW) since November 2018. Previously, Mr. Young served as a director of the Company from May 2015 to October 2016, during which he was chair of the Board's audit committee, Board's compensation and governance committees. From August 2008 to March 2016, Mr. Young served as the President and Chief Executive Officer of Lightbridge Communications Corporation ("LCC"). Prior to joining LCC in 2006, Mr. Young served as Chief Operating Officer of Liberty Media's Connectid mobile application subsidiary, as well as Senior Vice President and Chief Marketing Officer of Liberty TruePosition Inc. Mr. Young also serves or has served as a member of various public and private company board(s) of directors. Mr. Young holds a Master's in Business Administration from the University of Southern Illinois and a Bachelor of Science in Computer Science from Graceland University.

Phillip J. Ahn has served as our Chief Financial Officer and Chief Operating Officer since April 2013 and previously served as Vice President, Strategy and Corporate Development from February 2010 to April 2013. Prior to joining B. Riley, Mr. Ahn served as President of Altpoint Capital Partners from June 2009 to February 2010 and as Vice President of Stone Tower Equity Partners from February 2009 to June 2009. Prior to 2007, Mr. Ahn served as Senior Investment Officer at the NY State Common Retirement Fund and also held investment banking positions at both Salomon Smith Barney and CIBC World Markets. Prior to starting his investment banking career, Mr. Ahn was a research analyst at Standard & Poor's J.J. Kenny division. Mr. Ahn received his Bachelor of Arts in Economics from the University of Michigan in 1992 and his MBA in Finance from Columbia University in 1997, graduating with Beta Gamma Sigma honors. Mr. Ahn is a CFA charterholder and member of the CFA Society New York.

Alan N. Forman has served as our Executive Vice President, General Counsel and Secretary since May 2015. Prior to joining, served as Senior Vice President and General Counsel of STR Holdings, Inc. from April 2012 until May 2015, and as Vice President and General Counsel from May 2010 to April 2012. Mr. Forman was also a partner at Brown Rudnick LLP from May 1998 to May 2010. Mr. Forman brings extensive experience in corporate and securities law including intellectual property, licensing agreements, financial transactions, corporate governance, and mergers and acquisitions. Mr. Forman holds a B.A. in Economics from Emory University and a J.D. from the George Washington University Law School.

Howard Weitzman has served as our Senior Vice President, Chief Accounting Officer since December 2009. Prior to December 2009, Mr. Weitzman served as a Senior Manager in the SEC Services Group in the audit practice at Moss Adams, LLP and also worked for 15 years in public accounting at two “Big 4” accounting firms, most recently as a Senior Manager in the financial services audit practice at Deloitte & Touche, LLP. Mr. Weitzman also held various senior financial management positions, with Banner Holdings, Inc. as a Senior Financial Officer of Central Financial Acceptance Corporation and Controller and Principal Accounting Officer of Central Remedy, Inc. Mr. Weitzman also served as a Senior Vice President and Chief Financial Officer of Peoples Choice Financial Corporation. Mr. Weitzman received a B.S. in Accounting from California State University, Northridge and is a California licensed Certified Public Accountant.

Andrew Moore was appointed Chief Executive Officer of B. Riley FBR, Inc. on July 10, 2018, prior to which he served as President of B. Riley FBR, Inc. from 2016 to 2018. In 2006, Mr. Moore joined B. Riley & Co., LLC as an institutional sales professional, promoting B. Riley as a Director of Sales in 2011. During his tenure at B. Riley FBR, Inc., Mr. Moore’s responsibilities have included raising capital for a number of small-cap companies, introducing and marketing management teams to a diverse group of hedge and mutual funds, and making recommendations to an institutional client base. Previously, Mr. Moore held sales positions at Roth Capital Partners and Bear Stearnes. Mr. Moore received a Bachelor of Science in Business Administration from the University of Kansas and a Master’s in Business Administration in Finance from the University of Southern California, Marshall School of Business.

Summary Compensation Table

The following table shows information concerning the annual compensation for services provided to us by our named executive officers during fiscal 2018, 2017 and 2016.⁽¹⁾

Name and Principal Position	Year	Salary (\$)	Bonus (\$) ⁽²⁾ (3)	Stock Awards (\$) ⁽⁴⁾	Non-Equity Incentive Plan Compensation (\$) ⁽⁵⁾	All Other Compensation (\$) ⁽⁶⁾
Bryant R. Riley Chairman and Co-Chief Executive Officer	2018	600,000	-	830,000	1,223,266	6,839
	2017	363,462	224,384	600,005	1,086,963	-
	2016	300,000	500,000	388,057	600,000	-
Thomas J. Kelleher Co-Chief Executive Officer	2018	545,769	-	518,750	1,223,266	8,399
	2017	399,807	95,044	437,911	702,843	-
	2016	372,926	-	242,537	745,852	-
Phillip J. Ahn Chief Financial Officer and Chief Operating Officer	2018	412,500	-	373,500	543,674	7,545
	2017	347,115	56,096	300,003	583,739	-
	2016	325,000	-	194,033	650,000	-
Andrew Gumaer Chief Executive Officer of GAG, LLC	2018	500,000	-	415,000	679,592	8,399
	2017	342,308	149,589	437,911	644,126	-
	2016	300,000	500,000	242,537	600,000	-
Kenneth Young ⁽⁷⁾ President and Chief Executive Officer of B. Riley Principal Investments, LLC	2018	519,039	-	415,000	747,551	89,780
Andrew Moore ⁽⁷⁾ Chief Executive Officer, B. Riley FBR, Inc.	2018	283,077	50,000	415,000	764,038	2,280

The table above summarizes the total compensation earned by each of our named executive officers for the fiscal years ended (1)2018, 2017 and 2016. As our employees, none of Messrs. Riley, Gumaer or Kelleher, each of whom were directors during all of the fiscal years ended December 31, 2018, 2017 and 2016, received any compensation for his services as a director.

(2) Bonus amounts in 2017 and 2016 were discretionary bonuses for named executive officers approved by the Compensation Committee.

(3) Bonus paid to Mr. Moore in 2018 included discretionary bonus earned and paid prior to his becoming an executive officer.

Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of restricted stock unit grants during the applicable fiscal year. The assumptions used in the calculations for these amounts are described in Note 18 of the Consolidated Financial Statements in our annual report on Form 10-K for the fiscal year ended December 31, 2018. For a discussion of the material terms of each outstanding restricted stock unit grant, see the table below entitled "Outstanding Equity Awards at 2018 Year-End."

The amounts listed in this column include non-equity incentive compensation earned by and paid to each of our named executive officers for the fiscal years ended December 31, 2018, 2017 and 2016. In the case of Mr. Moore, \$220,364 in 2018 sales commission and bonus to his appointment as executive officer are included.

Includes accrued dividend rights paid upon vesting of RSUs in 2018, in accordance with award agreements, as approved by the Compensation Committee; matching contributions made under the B. Riley Financial 401(k) Plan; and payment to Mr. Young for consulting services to Babcock and Wilcox Enterprises, Inc., as approved by the Compensation Committee.

Messrs. Young and Moore became executive officers of our company on July 10, 2018. For Messrs. Young and Moore, compensation is shown for fiscal years 2016 or 2017 because they were not named executive officers in fiscal years 2016 or 2017.

Grants of Plan-Based Awards Table for 2018

The following table presents information concerning each grant made to our named executive officers in our fiscal year ended 2018, under any equity or non-equity incentive plan.

Name	Grant Date ⁽¹⁾	Estimated Future Payouts under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Units of Stock (#)	Grant Date Fair Value (\$) ⁽²⁾
		Threshold (\$)	Target (\$)	Maximum (\$)		
Bryant R. Riley	6/13/2018	150,000	900,000	1,800,000	40,000	830,000
Thomas J. Kelleher	6/13/2018	150,000	900,000	1,800,000	25,000	518,750
Phillip J. Ahn	6/13/2018	100,000	400,000	800,000	18,000	373,500
Andrew Gumaer	6/13/2018	125,000	500,000	1,000,000	20,000	415,000
Kenneth Young	6/13/2018	137,500	550,000	1,100,000	20,000	415,000
Andrew Moore	6/13/2018	125,000	500,000	1,000,000	20,000	415,000

On June 13, 2018, we granted Messrs. Riley, Kelleher, Ahn, Gumaer, Young and Moore RSU awards as a component of their compensation for the fiscal year ended December 31, 2018, scheduled to vest one-third on May 24, 2019, one-third on May 24, 2020, and one-third on May 24, 2021, subject to continued employment with our company. Each RSU awarded represents the right to receive one share of our common stock. Additionally, each of the above award recipients has the right to receive promptly following each vesting date an amount equal to the product of (i) the number of RSUs vested on such vesting date, multiplied by (ii) the total dividends per share of common stock since the date of award.

⁽²⁾Represents the grant date fair value, which has been computed in accordance with FASB ASC Topic 718.

Outstanding Equity Awards at 2018 Fiscal Year End

The following table provides information concerning outstanding equity awards held by our named executive officers as of December 31, 2018.

Name	Number of Units of Stock That Have Not Vested (#) ⁽¹⁾	Market Value of Units of Stock That Have Not Vested (\$) ⁽²⁾
Bryant R. Riley ⁽³⁾	79,308	1,126,174
Thomas J. Kelleher ⁽⁴⁾	49,568	703,866
Phillip J. Ahn ⁽⁵⁾	37,654	534,687
Andrew Gumaer ⁽⁶⁾	44,568	632,866
Kenneth Young ⁽⁷⁾	34,627	491,703
Andrew Moore ⁽⁸⁾	34,451	489,204

⁽¹⁾ Represents awards of restricted stock units granted under our Amended and Restated 2009 Stock Incentive Plan.

⁽²⁾ The market value of awards of restricted stock units that have not yet vested is based on the number of unvested shares of stock as of December 31, 2018, multiplied by the closing sale price of our common shares on December 31, 2018 (\$14.20 per share).

⁽³⁾ Unvested RSUs held by Mr. Riley at December 31, 2018 vest as follows: 39,739 RSUs will vest in full on May 24, 2019, 26,333 RSUs will vest in full on May 24, 2020, and 13,333 RSUs will vest in full on May 24, 2021.

⁽⁴⁾ Unvested RSUs held by Mr. Kelleher at December 31, 2018 vest as follows: 24,838 RSUs will vest in full on May 24, 2019, 12,419 RSUs will vest in full on May 24, 2020, and 8,333 RSUs will vest in full on May 24, 2021.

⁽⁵⁾ Unvested RSUs held by Mr. Ahn at December 31, 2018 vest as follows: 19,203 RSUs will vest in full on May 24, 2019, 12,419 RSUs will vest in full on May 24, 2020, and 6,000 will vest in full on May 24, 2021.

⁽⁶⁾ Unvested RSUs held by Mr. Gumaer at December 31, 2018 vest as follows: 23,171 RSUs will vest in full on May 24, 2019, 12,419 RSUs will vest in full on May 24, 2020, and 6,666 RSUs will vest in full on May 24, 2021.

(7) Unvested RSUs held by Mr. Young at December 31, 2018 vest as follows: 10,968 RSUs will vest in full on May 24, 2019, 6,666 RSUs will vest in full on October 1, 2019, 10,968 RSUs will vest in full on May 24, 2020, and 6,666 RSUs will vest in full on May 24, 2021.

(8) Unvested RSUs held by Mr. Moore at December 31, 2018 vest as follows: 815 RSUs vested in full on January 31, 2019, 15,000 RSUs will vest in full on May 24, 2019, 815 RSUs will vest in full on January 31, 2020, 10,968 RSUs will vest in full on May 24, 2020, and 6,666 RSUs will vest in full on May 24, 2021.

Stock Vested

The following table provides information on the value realized by each of our named executive officers as a result of the vesting during 2018.

Name	Number of Shares Acquired on Vesting (#) ⁽¹⁾	Value Realized on Vesting (\$)
Bryant R. Riley	26,406	550,565
Thomas J. Kelleher	16,504	344,108
Phillip J. Ahn	13,203	275,283
Andrew Gumaer	16,504	344,108
Kenneth Young	10,327	222,308
Andrew Moore	9,336	192,944

RSUs of Messrs. Riley, Kelleher, Ahn, Gumaer, Young and Moore vested on May 24, 2018 as follows: 26,406, 16,504, 13,203, 16,504, 10,327 and 9,336 RSUs, respectively. The market price of our common stock on that date closed at \$20.85. Mr. Moore vested ⁽¹⁾ additional 815 RSUs on January 31, 2018. The market price of our common stock on that date closed at \$18.75. Mr. Young vested additional 6,026 RSUs on October 1, 2018. The market price of our common stock on that date closed at \$22.01.

All Other Compensation

The following table sets forth additional information with respect to the amounts reported in the “All Other Compensation” column of the Summary Compensation Table for Fiscal Year 2018.

Name	Dividend Rights Paid Upon 2018 Vesting of RSUs (\$) ⁽¹⁾	401k Plan Match (\$) ⁽²⁾	Other (\$) ⁽³⁾	Total (\$)
Bryant R. Riley	6,839			6,839

Thomas J. Kelleher	4,274	4,125	8,399
Phillip J. Ahn	3,420	4,125	7,545
Andrew Gumaer	4,274	4,125	8,399
Kenneth Young	2,280		87,500
Andrew Moore	2,280		89,780

(1) Includes accrued dividend rights paid upon May 24, 2018 vesting of RSU awards granted on June 13, 2017, in accordance with agreements, as approved by the Compensation Committee.

(2) The maximum 401k match for 2018 was \$4,125. Our executive officers are eligible for the same 401k match program as is all other employees.

(3) Includes payment to Mr. Young for consulting services to Babcock and Wilcox Enterprises, Inc. in the capacity of Chief Executive Officer of Babcock and Wilcox Enterprises, as approved by the Compensation Committee.

Potential Payments Upon Termination or Change in Control

Of our named executive officers, Messrs. Kelleher, Riley, Ahn, and Gumaer are each subject to an employment agreement that became effective on January 1, 2018, which employment agreements for Mr. Riley and Mr. Kelleher were amended on July 10, 2018. Mr. Young and Mr. Moore are subject to employment agreements which became effective on July 10, 2018. Each of the employment agreements provides for a severance payment equal to the sum of (1) one times the executive's base salary as in effect immediately prior to the qualifying termination plus (2) one times the executive's target bonus for the calendar year in which the qualifying termination occurs, if the target bonus for such calendar year has been set, the target bonus for the prior year. The employment agreements also provide for reimbursement of a portion of the executive's COBRA premiums for up to twelve months following a qualifying termination. The employment agreements also provide for the following types of terminations include (i) termination without cause by the company, (ii) termination due to death or disability and (iii) resignation for good reason. In addition, the employment agreements provide that all unvested awards become fully vested upon a change of control.

The descriptions below provide information about the payments and other benefits to which each of our named executive officers is entitled upon a termination of such Named Executive Officer or a change in control. The tables below show, for each Named Executive Officer, our estimates of our potential cash payments and other benefits that would have been paid to the Named Executive Officer if that (i) such a termination or change in control was effected as of December 31, 2018, (ii) the employment agreements described in the "Employment Agreements, as Amended" below were in effect on such date and (iii) the target bonus amounts for each Named Executive Officer equal the target amounts established for fiscal year 2018 and (iv) the market value of RSUs that have not vested as of December 31, 2018 was \$14.20 per share, which was the closing price of our company's common stock on December 31, 2018, the last trading day of 2018. The tables below also assume that all salary amounts earned by each Named Executive Officer through the date of such a change in control had already been paid. As a result, all amounts in these tables are only estimates, and the actual amounts that can only be determined at the time of the event triggering the payments.

Payments Due Upon Termination Without Cause, for Death or Disability, or Resignation for Good Reason

Name	Cash Payment (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Benefits (\$) ⁽⁵⁾	Total (\$)
Bryant R. Riley	1,500,000	1,126,174	900,000	43,948	17,713	3,587,835
Thomas J. Kelleher	1,500,000	703,866	900,000	27,468	17,713	3,149,047
Phillip J. Ahn	800,000	534,687	400,000	21,054	17,713	1,773,454
Andrew Gumaer	1,000,000	632,866	500,000	25,168	17,713	2,175,747
Kenneth Young	1,100,000	491,703	550,000	17,716	17,713	2,177,133
Andrew Moore	1,000,000	489,204	500,000	17,716	16,880	2,023,801

⁽¹⁾In the event of involuntary termination without Cause, for death or disability, or resignation for Good Reason, in accordance with the employment agreements, executives shall receive a severance payment equal to the sum of 1x the executive's base salary and target bonus.

executive's target bonus for the calendar year in which the termination occurs.

Upon termination without Cause or for death or disability, in accordance with award agreements, unvested RSUs shall vest. The value is based on the number of RSUs that would vest multiplied by \$14.20, which was the closing price of our common stock on December 31, 2018, the last trading day of the year. In the event of resignation for Good Reason, RSUs would not vest and, therefore, numbers in this column would be zero.

A prorated portion of the target bonus for the year of termination is payable. It is assumed for purposes of this table that the termination occurred on December 31, 2018 and the full target bonus amount would be due.

Upon vesting of RSUs, accrued dividend rights, equivalent to dividends declared and paid per share of common stock from January 1, 2017 through December 31, 2018, are paid for RSUs awarded in 2017 and 2018 in accordance with award agreements. In the case of resignation for Good Reason, RSUs would not vest and, therefore, numbers in this column would be zero.

According to the terms of their employment agreements, executives shall be reimbursed the difference between the cost of health insurance coverage under COBRA and premiums paid by similarly situated employees for 12 months, or until the executive becomes eligible to receive substantially similar coverage from another employer.

Payments Due Upon Termination With Cause or Resignation Without Good Reason

Name	Cash Payment	Stock Awards	Non-Equity		Benefits	Total
			Incentive Plan Compensation	All Other Compensation		
	(\$)	(\$)	(\$)⁽¹⁾	(\$)	(\$)	(\$)
Bryant R. Riley	-	-	900,000	-	-	900,000
Thomas J. Kelleher	-	-	900,000	-	-	900,000
Phillip J. Ahn	-	-	400,000	-	-	400,000
Andrew Gumaer	-	-	500,000	-	-	500,000
Kenneth Young	-	-	550,000	-	-	550,000
Andrew Moore	-	-	500,000	-	-	500,000

In the event an executive is terminated by the Company with Cause or resigns without Good Reason, a prorated portion of the full target bonus amount would be due. (1)for the year of termination is payable. It is assumed for purposes of this table that the termination occurred on December 31,

Payments Due Upon Change in Control

Name	Cash Payment	Stock Awards	Non-Equity		Benefits	Total
			Incentive Plan Compensation	All Other Compensation		
	(\$)	(\$)⁽¹⁾	(\$)	(\$)⁽²⁾	(\$)	(\$)
Bryant R. Riley	-	1,126,174	-	43,948	-	1,170,122
Thomas J. Kelleher	-	703,866	-	27,468	-	731,334
Phillip J. Ahn	-	534,687	-	21,054	-	555,741
Andrew Gumaer	-	632,866	-	25,168	-	658,034
Kenneth Young	-	491,703	-	17,716	-	509,419
Andrew Moore	-	489,204	-	17,716	-	506,920

In accordance with executive employment agreements, unvested RSUs shall vest upon Change in Control. The market value of (1)number of RSUs that would vest multiplied by \$14.20, which was the closing price of our common stock on December 31, 2018, trading day of the year.

(2) Upon RSU vesting upon Change in Control, accrued dividend rights, equivalent to dividends declared and paid per share of common stock from July 1, 2017 through December 31, 2018, are paid for RSUs awarded in 2017 and 2018 in accordance with award agreements.

Risks Related to Compensation Policies and Practices

The compensation committee has considered and regularly monitors whether our overall compensation program for employees includes incentives for employees to take excessive or unreasonable risks that could materially harm our business. Although risk-taking is a part of building any business, the compensation committee focuses on aligning our compensation policies with the long-term interests of the Company and its stockholders and avoiding short-term rewards for management or other employee decisions that could pose risks to the Company. We believe that several features of our compensation policies for management-level employees appropriately address these risks, including a mix of long- and short-term compensation incentives that we believe is properly weighted for a company of our size, industry and with our stage of growth, and the uniformity of compensation policies and objectives across our employees. We also believe that our internal legal and financial controls appropriately mitigate the probability and potential impact of an individual employee committing a harmful long-term business transaction in exchange for short-term compensation benefits.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are providing disclosure of the ratio of annual total compensation of Mr. Riley and Mr. Kelleher, our Co-CEOs, to that of our median employee. Our median employee earned \$109,938 in total compensation for 2018. Based upon the total 2018 compensation reported for Mr. Riley and Mr. Kelleher of \$2,660,105 and \$2,296,184, respectively, as reported under "Total" in the Summary Compensation Table, our ratios of Co-CEO compensation to median employee pay were 24:1 and 21:1. Our median employee is employed in our Great American Group Advisory and Valuation Services subsidiary.

Calculation Methodology

To identify our median employee, we identified our total employee population worldwide as of December 28, 2018, excluding our former employees and employees of 2018 acquisitions GlassRatner and magicJack, in accordance with SEC rules. On December 28, 2018, 88.1% of our employee population was located in the U.S., with 11.6% in India and 0.3% in Europe, excluding employees of 2018 acquisitions GlassRatner and magicJack.

Consistently Applied Compensation Measure. We collected full-year 2018 actual gross earnings data for the December 28, 2018 employee population, including cash-based compensation and equity-based compensation that was realized in 2018, relying on our internal records. Compensation was annualized on a straight-line basis for non-temporary new hire employees who did not work with us for the full calendar year.

Once we determined the median employee, we calculated total compensation for the median employee in the same manner in which we determine the compensation shown for our named executive officers in the Summary Compensation Table, in accordance with

Compensation Discussion and Analysis

The following compensation discussion and analysis provides information regarding certain aspects of our overall compensation and objectives and the elements of compensation paid to our named executive officers in 2018.

Executive Summary

2018 Compensation Philosophy

Our executive compensation program is designed (i) to provide incentives to our executive officers to manage and grow our business and (ii) to attract, retain, and motivate top quality, effective executives. In addition to general senior management responsibilities, each named executive officer also has revenue production or management responsibilities within our operating subsidiaries. In determining compensation for our named executive officers, the primary emphasis is on our consolidated financial performance, but each individual's performance and/or business unit performance are considered. The effective implementation of this program plays an integral role in our success.

The compensation committee of the Board has responsibility for overseeing our compensation philosophy. The compensation committee is the primary authority to determine and recommend to the Board for final approval the compensation of our named executive officers.

Compensation Philosophy and Objectives

A substantial portion of each named executive officer's total compensation is variable and delivered on a pay-for-performance basis. We believe this model provides a key incentive to motivate management to achieve our business objectives. The executive compensation program provides compensation opportunities contingent upon performance that we believe are competitive with practices of other similar services firms. We strongly believe that the components of our compensation programs align the interests of our named executive officers with our stockholders and will promote long-term stockholder value creation.

We link rewards to both corporate and individual performance, emphasizing long-term results and alignment with our stockholders. We align compensation with business strategy and risk and provide a mix of performance and retentive-based compensation. Long-term equity compensation is an integral part of our compensation program with awards of equity subject to vesting requirements, including continued employment. Although we do not have formal equity ownership guidelines for our executive officers and other key employees,

company, we encourage our executives to maintain a meaningful ownership interest in our company, aligning their interests with our stockholders.

Our executives are eligible for the same benefit plans available to all of our employees, and we do not provide any executive perquisites, defined benefit plans, or other retirement benefits (other than the defined contribution plan available to employees generally).

Throughout this report, we refer to our Co-Chief Executive Officers, our Chief Financial Officer, and each of our three other most highly compensated executive officers for 2018 as our “named executive officers.” In addition to our Co-Chief Executive Officers and Chief Financial Officer, this group includes our President and Chief Executive Officer of B. Riley Principal Investments, LLC, our Chief Executive Officer of Great American Group, LLC, and our Chief Executive Officer of B. Riley FBR, Inc.

Principles and Objectives of Our Compensation Program

The compensation committee of our Board has discretionary authority over the compensation of our named executive officers. In our compensation program for our named executive officers, the compensation committee’s goal is to link compensation decisions to corporate and individual performance, with a focus on rewarding the achievement of financial results, as well as rewarding the performance and accomplishments of our named executive officers in light of their respective duties and responsibilities, the importance of their actions on our strategic initiatives, and their overall contribution to the culture, strategic direction, stability and performance of our company. Our Co-Chief Executive Officers recommend to the compensation committee the amount and form of compensation for each of our named executive officers other than themselves, and the amount and form of compensation for our Co-Chief Executive Officers are recommended and developed by the Chairman of the compensation committee with input from the committee’s independent compensation consultant. These recommendations are necessary and are then reviewed and approved by the compensation committee. Our compensation committee retains the discretion to compensate and reward our named executive officers based on a variety of other factors, including subjective or qualitative factors.

Principles

Our compensation program for our named executive officers is designed to attract, retain and motivate executives and professionals of the highest quality and effectiveness while aligning their interests with the long-term interests of our stockholders. The following **Principles of Compensation** summarize key categories that our Board, the compensation committee, and our management team believe we should recognize:

Company Performance - All compensation decisions are made within the context of overall company performance. We evaluate performance primarily from a financial perspective, but also from a strategic perspective.

Alignment - We believe that the interests of our employees and stockholders should be aligned. Compensation directly reflects annual and longer-term performance of the business.

Risk Management - Compensation practices and decisions are designed to neither encourage nor reward excessive or inappropriate risk taking.

Employee Contribution - An individual's compensation, evaluated within the context of overall company results, is determined by that individual's contribution to the business. We consider both financial and non-financial factors. In determining individual compensation, teamwork and unselfish behavior are recognized and appropriately rewarded.

Quality and Retention of Staff - Total compensation levels are calibrated to the market such that we remain competitive for attracting, motivating and retaining the very best people in light of our business strategy. We seek to maximize the value of an executive officer through both appropriate pay design and effective communication of pay programs. Compensation is structured to encourage high quality service and loyalty.

Objectives

The compensation committee seeks, through our compensation programs, to foster an entrepreneurial, results-focused culture that is critical to the success of our company and to the long-term growth of stockholder value. In addition to appropriately rewarding performance, viewed in light of each named executive officer's duties, responsibilities and function, the compensation committee believes that it is critical to encourage commitment among the named executive officers to our overall corporate objectives and culture. A key objective of our overall compensation program is for the named executive officers to have a significant portion of their compensation linked to building long-term value for our stockholders.

Role of Independent Compensation Consultant

In 2017, the compensation committee retained Pricewaterhouse Coopers. (“PwC”), an independent consulting firm, to assist the company in fulfilling its duties in setting compensation for our chief executive officers. PwC was engaged by and reported solely to the compensation committee, and the compensation committee had the sole authority to approve the terms of the engagement. PwC did not provide any services to the company in Fiscal 2017 other than executive compensation consulting services provided to the compensation committee. PwC did not provide any services to the Company in Fiscal 2018. Before engaging PwC, the compensation committee determined that PwC was the most qualified firm after taking into account the factors set forth in Rule 10C-1 of the Exchange Act and NASDAQ Marketplace Rule 5605(d)(3). PwC selected a group of public peer companies to benchmark our chief executive officer’s compensation against peer company chief executive officer market survey data. PwC’s analysis considered: (i) base salary; (ii) annual incentive compensation; (iii) total cash compensation; (iv) total incentive compensation; and (v) total direct compensation. There were no changes to our executive compensation plan in 2018.

Peer Group

As part of its services, in 2017, PwC compiled data regarding chief executive officer compensation from the following “peer” group: Cowen Group, Inc., FBR & Co., Gain Capital Holdings, Inc., Greenhill & Co., Inc., Houlihan Lokey Inc., INTL FCStone Inc., JPMorgan Chase & Co., Technology Group, Inc., JMP Group Inc., Moelis & Co., Oppenheimer Holdings Inc., and Piper Jaffray Companies. This peer group consists of companies primarily consisting of investment banks with revenues and market capitalizations most comparable to ours. While the compensation committee considered the level of compensation paid by the firms in the peer group as a reference point that provided a framework for its decisions regarding the chief executive officer’s compensation, in order to maintain competitiveness and flexibility, the compensation committee did not target compensation at a particular level relative to the peer group. Similarly, the compensation committee did not employ a formal benchmarking strategy or rely upon specific peer-derived targets. Subsequent to the receipt of the peer group data regarding chief executive officer compensation from PwC, the compensation committee reviewed executive compensation data from the peer group in evaluating the compensation of the other named executive officers. This peer group market data is an important factor considered by the compensation committee when setting compensation, but it is only one of multiple factors considered by the compensation committee, and the amount paid to each named executive officer may be more or less than the composite market median based on performance, the roles and responsibilities of the executive, experience level of the individual, internal equity and other factors that the compensation committee deems important.

Review of Stockholder Advisory Votes on Our Executive Compensation

Consistent with the preference of our stockholders, which was expressed at our annual meeting of stockholders held in Hollywood, California, our stockholders currently have the opportunity to cast an advisory vote on our executive compensation once every three years. At our last annual meeting of stockholders, our executive compensation received a favorable advisory vote from 99% of the votes cast on the meeting (which excludes abstentions and broker non-votes). The compensation committee believes this approval affirmed the strong support of our approach to executive compensation, and therefore the compensation committee did not significantly change our compensation policies, philosophy, structure or levels in response to such advisory vote. The compensation committee will continue to consider the impact of stockholder advisory votes on our executive compensation when making compensation decisions for our named executive officers in the respect of our compensation programs generally.

Elements of 2018 Compensation

This section describes the various elements of our compensation program for our named executive officers in 2018, summarized below, and why the compensation committee chose to include the items in the compensation program. As detailed below, the various elements of our compensation program during 2018 consisted of base salary, performance-based cash bonuses, or “at risk,” compensation opportunities, and long-term equity incentive compensation. We also provided benefit programs that apply to all employees. The elements of our executive compensation program are summarized as follows:

Element	Description	Function
<i>Base Salary</i>	Fixed cash compensation	Provides basic compensation at a level consistent with market competitive practices; reflects role, responsibilities and experience and performance; encourages retention
<i>Performance-Based Cash Bonuses</i>	Cash bonuses earned based on performance under the terms of the Management Bonus Plan (“B. Riley Bonus Plan”).	Motivates and rewards for achievement of annual financial performance goal
<i>Long-Term Equity Incentives</i>	Equity awards granted at the compensation committee’s discretion under the Amended and Restated 2009 Stock Incentive Plan.	Motivates and rewards for financial performance over a sustained period; strengthens mutuality of interests between executives and shareholders; increases retention; rewards creation of shareholder value
<i>Benefits</i>	Defined contribution savings plan, healthcare plan and other standard company benefit plans. Named executive officers receive same coverage as other employees.	Provides market competitive savings and welfare benefit programs available to all employees based on standard eligibility requirements
		Not applicable, except as noted

***Executive Perquisites
and Other
Arrangements***

We do not provide perquisites, defined benefit plans (other than the defined contribution plan available to employees generally) or other retirement benefits or deferred compensation to our named executive officers.

Base Salary

The purpose of base salary is to provide a set amount of cash compensation for each named executive officer that is not variable and is generally competitive with market practices. Consistent with our performance-based compensation philosophy, the base salary for each named executive officer is targeted to account for less than half of total compensation.

The compensation committee seeks to pay our named executive officers a competitive base salary in recognition of their job responsibilities for a publicly-held company by considering several factors, including competitive factors within our industry, past contributions, and individual performance of each named executive officer, as well as retention. In setting base salaries, the compensation committee considers the amount of total compensation and the overall goal of keeping the amount of cash compensation that is provided in the form of base salary substantially lower than the amount of bonus opportunity that is available, assuming that performance targets are met or exceeded. In 2018, base salaries for Messrs. Riley, Ahn, and Gumaer remained unchanged in 2018. The Compensation Committee approved the following base salary increases for Messrs. Kelleher, Young, and Moore on July 10, 2018 to reflect expansion of their roles and achieve more market value alignment between base salary and total compensation: Mr. Kelleher's base salary was increased from \$500,000 to \$600,000 upon his appointment to Co-Chief Executive Officer of B. Riley Financial, Inc. Mr. Young's base salary was increased from \$500,000 to \$550,000 upon his appointment to President of B. Riley Financial, Inc. and executive officer. Mr. Moore's base salary was increased from \$100,000 to \$500,000 upon his appointment to Chief Executive Officer of B. Riley FBR, Inc. and executive officer.

B. Riley Financial, Inc. Management Bonus Plan

The B. Riley compensation committee believes performance-based cash compensation is important to focus B. Riley's executive compensation and reward B. Riley's executives for achieving key objectives. In furtherance of this, in August 2015, B. Riley adopted the B. Riley Management Bonus Plan, which we refer to as the B. Riley Bonus Plan. The purpose of the B. Riley Bonus Plan is to increase the value and the success of B. Riley by motivating key employees, including B. Riley's named executive officers, to perform to their abilities and to achieve B. Riley's objectives. The B. Riley bonus plan's goals are to be achieved by providing such employees with awards only after the achievement of specified objective performance goals during specified performance periods, in each case as determined by the compensation committee.

In 2018, the B. Riley compensation committee established financial targets pursuant to the B. Riley Bonus Plan for B. Riley's named executive officers, including each of B. Riley's named executive officers. The B. Riley Bonus Plan provided for: (i) a minimum award of 100% of base salary upon B. Riley achieving at least \$60.75 million Earnings before Interest, Taxes, Depreciation and Amortization, Share Based Compensation, Transaction and Restructuring expenses and Other Non-recurring items and before factoring executive bonuses which we refer to as 2018 Adjusted EBITDA; (ii) a target award of 100% to 150% of base salary upon B. Riley achieving \$81 million Adjusted EBITDA; and (iii) a maximum award of 200% to 300% of base salary upon B. Riley achieving \$121.5 million or more Adjusted EBITDA. Such plan also provided for target awards of a prorated percentage of base salary based on the foregoing for Adjusted EBITDA levels between the foregoing targets. B. Riley achieved 2018 Adjusted EBITDA representing 118% of the target. The bonuses awarded to each of our named executive officers was 136% of such individual's respective adjusted base salary after g

the base salary increases in July 2018, except for Co-Chief Executive Officers who each received a bonus equal to 204% of his salary.

Long-Term Equity Incentive Compensation

The compensation committee believes that a significant portion of our named executive officer compensation should be in the form of long-term equity incentive awards as a retention tool, and to align further the long-term interests of our named executive officers with those of our other stockholders. In addition, the compensation committee makes annual grants of long-term, performance-based incentive compensation awards to our named executive officers.

The compensation committee understands that equity incentive compensation can promote high-risk behavior if the incentives for short-term performance are not properly aligned with the interests of our company over the long-term. The compensation committee believes that the structure of our company's long-term equity incentive compensation appropriately mitigates the risk by directly aligning the interests with those of our company. We use judgment and discretion rather than relying solely on formulaic results, and do not use highly leveraged incentives that drive risky short-term behavior. Instead, we reward consistent and longer-term performance. Our long-term equity incentive compensation rewards long-term performance on a per share basis.

In fiscal 2016, 2017 and 2018, the compensation committee awarded restricted stock unit grants under B. Riley's Amended and Restated Stock Incentive Plan to B. Riley's named executive officers, as further described above in the "Management and Executive Compensation-Summary Compensation Table." The compensation committee believes that these grants, which vest over a period of three years, appropriately align the interests of our named executive officers with those of our stockholders and retain, motivate and reward our named executive officers.

Timing Mix and Level of Equity Compensation Awards

In determining the number and type of equity awards to grant in any fiscal year, the compensation committee considers a variety of factors, including the responsibilities and seniority of the Named Executive Officer, the contribution that the Named Executive Officer has made to our company in the coming years and has made in the past, and the size and terms of prior equity awards granted to the Named Executive Officer. Decisions regarding these equity awards are typically made at the compensation committee's first fiscal quarter meeting, which executive compensation for the coming year is determined. However, the compensation committee may also grant equity awards from time to time based on individual and corporate achievements and other factors it deems relevant, such as for retention purposes or in response to changes in responsibilities or similar events or circumstances.

Change in Control and Post-Termination Severance Benefits

The employment agreements for each of our named executive officers provide them certain benefits if their employment is terminated under specified conditions. The compensation committee believes these benefits are important elements of each Named Executive Officer's comprehensive compensation package, primarily for their retention value and their alignment of the interests of our named executive officers with those of our stockholders. The details and amounts of these benefits are described in the Management and Executive Compensation section under "Payment Due Upon Termination Without Cause, for Death or Disability, or Resignation for Good Reason."

Deductibility of Executive Compensation

Section 162(m) of the Code generally limits our corporate tax deduction for compensation paid to certain executive officers to \$1 million per year. Prior to December 22, 2017, when the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law, this limitation did not apply to executive compensation that qualified as "performance-based" compensation under Section 162(m) of the Code. Under the TCJA, this "performance-based" exception is repealed for taxable years beginning after December 31, 2017, except with respect to certain "grandfathered" compensation. The Compensation Committee intends to maximize our ability to deduct executive compensation for tax purposes to the extent structurally possible. Executive compensation for tax purposes is in alignment with our compensation philosophy. The Compensation Committee normally reserves the right to use its judgment to authorize compensation payments that may not be deductible when the committee believes such payments are appropriate and in the best interests of our shareholders, after taking into account changing business conditions and the officer's performance. The Compensation Committee will continue to monitor developments under the TCJA and will continue to take steps that might be in our best interests to comply with Section 162(m) of the Code, including the impact from the TJCA.

Employment Agreements

Prior Employment Agreements

Employment Agreement with Bryant R. Riley

On June 18, 2014, we entered into an employment agreement with Bryant R. Riley. Pursuant to the terms of such employment from and after June 18, 2014, Mr. Riley is entitled to receive an annual base salary of \$300,000, subject to adjustment in the sole discretion of the compensation committee. On October 2, 2017, the compensation committee approved an increase to Mr. Riley's annual base salary to \$600,000. Such employment agreement also provides for the award of an annual discretionary bonus and the reimbursement of certain business expenses. The employment agreement also contains an indemnification provision wherein we promise to defend, indemnify, and hold Mr. Riley harmless to the fullest extent permitted by law against any and all liabilities incurred by Mr. Riley in connection with employment by us. The term of such employment agreement is three years from June 18, 2014, which term shall be automatically extended for one-year terms, unless either party gives the other party not less than 90 days' prior written notice of the intention to not extend such employment agreement automatically.

Employment Agreement with Andrew Gumaer

In May 2014, we entered into amended and restated employment agreement with Andrew Gumaer in connection with the B. Riley & Co., LLC acquisition, with changes effective as of June 18, 2014, the date of the initial closing of the B. Riley & Co., LLC acquisition. Pursuant to the terms of such employment agreement, Mr. Gumaer is entitled to receive an annual base salary of \$300,000, subject to adjustment in the sole discretion of the compensation committee. On October 2, 2017, the compensation committee approved an increase to Mr. Gumaer's annual base salary to \$500,000. Such employment agreement also provides for the award of an annual discretionary bonus and the reimbursement of certain business expenses. Such employment agreement also contains an indemnification provision wherein we promise to defend, indemnify, and hold Mr. Gumaer harmless to the fullest extent permitted by law against any and all liabilities incurred by Mr. Gumaer in connection with employment by us. The term of each such employment agreement is three years from June 18, 2014, which term shall be automatically extended for one-year terms, unless either party gives the other party not less than 90 days' prior written notice of the intention to not extend such employment agreement automatically.

New Employment Agreements, as Amended

On December 29, 2017, the compensation committee approved the entrance by the company into new employment agreements with the named executive officers effective January 1, 2018. The employment agreements with each of Mr. Riley and Mr. Gumaer were

employment agreements such individuals had with the company. Mr. Kelleher and Mr. Ahn previously did not have employment with the company. The employment agreements for Mr. Riley and Mr. Kelleher were subsequently amended effective July 10, 2018. The Company also entered into employment agreements with Messrs. Young and Moore on July 10, 2018. Each of the employment agreements with the named executive officers was amended on April 3, 2019, to remove a Change of Control as an event constituting "Good Cause" to terminate the employment agreements.

The terms of the new employment agreements, together with any amendments, generally provide, among other things, for the following for each such individual:

An annual base salary subject to review and adjustment on an annual basis, in the initial amounts of: \$600,000 per year for Mr. Kelleher, \$400,000 per year for Mr. Ahn, \$500,000 per year for Mr. Gumaer, \$550,000 per year for Mr. Young, and \$500,000 per year for Mr. Moore.

Eligibility for annual performance bonuses based on such individual's performance and/or our performance in accordance with our Management Bonus Plan, with a target bonus equal to not less than 100% of such individual's annual base salary for Messrs. Ahn, Young and Moore, and a target bonus equal to not less than 150% of such individual's annual base salary for Messrs. Riley and Kelleher.

Eligibility for each fiscal year to receive an annual long-term incentive award under our equity incentive plan with a value of not less than 50% of such individual's annual base salary (but in no event more than 50,000 restricted stock units). Each such award will be subject to the approval of the compensation committee and vest annually over a three-year period.

- Notwithstanding the terms of any existing agreement or plan, all outstanding unvested stock options, restricted stock, restricted stock appreciation rights and other unvested equity linked awards granted to such individual during the term of such individual's employment agreement shall become fully vested upon a Change of Control and exercisable for the remainder of the term of such award.

Participation in benefit plans for our executives, reimbursement for all reasonable and necessary out-of-pocket expenses incurred by such individual in the performance of such individual's respective duties and paid time off in accordance with our policies.

• A requirement for each party to give twenty (20) days prior written notice to terminate such individual's employment.

- If such individual is terminated with Cause (as defined in the employment agreements) or resigns without Good Reason (as defined in the employment agreements), such individual receives such individual's base salary, benefits and accrued unused leave for the year of termination, as well as a pro rata portion of any target bonus for the year of termination (or if no target bonus for such calendar year has been set on or prior to the effective date of termination, the target bonus for the prior year).

If such individual is terminated without Cause, for death or for Disability (as defined in the employment agreements) or resigns without Good Reason, such individual receives, subject to the execution of a general release, a severance payment payable in one lump sum within 90 days of termination in an amount equal to the sum of (a) one (1) times such individual's base salary and (b) one (1) times such individual's target bonus for the year of termination (or if no target bonus for such calendar year has been set on or prior to the effective date of termination, the target bonus for the prior year). In such circumstances, such individual shall also be eligible for reimbursement for COBRA premium difference between the monthly COBRA premium paid by such individual for himself (and his dependents, if applicable) and the monthly COBRA premium amount paid by similarly situated active executives, for a period ending upon the earliest of the twelve (12) month anniversary of such termination and the date on which such individual becomes eligible to receive substantially similar coverage from another employer.

Equity Compensation Plan Information***B. Riley Financial, Inc. Amended and Restated 2009 Stock Incentive Plan and 2018 Employee Stock Purchase Plan***

Information about the B. Riley Financial, Inc. Amended and Restated 2009 (the “2009 Plan”) equity compensation plan and 2018 Employee Stock Purchase Plan (“ESPP”) at December 31, 2018 was as follows:

Plan Category	Number of	Weighted-	Number of Securities
	Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Average Price of Outstanding Options, Warrants and Rights (b) ⁽⁴⁾	Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c) ⁽⁵⁾
Equity compensation plans approved by our stockholders ⁽¹⁾	896,817	⁽³⁾ -	2,288,531
Equity compensation plans not approved by our stockholders ⁽²⁾	689,430	-	1,691,227
Total	1,586,247	-	3,979,758

⁽¹⁾Includes our 2009 Plan and shares available for issuance under our ESPP.

These shares represent equity awards previously granted or available for issuance under the FBR & Co. 2006 Long-Term Stock Incentive Plan. ⁽²⁾Plan that was assumed in connection with our acquisition of FBR on June 1, 2017, and the shares available for issuance may include shares of the Company that were previously issued to certain employees of the Company under the 2009 Plan.

(3) Does not include purchase rights accruing under the ESPP because the purchase price (and therefore the number of shares to be purchased) will not be determined until the end of the purchase period.

(4) Awards listed in column (a) are restricted stock unit awards, which have no associated exercise price.

(5) Includes 1,601,104 remaining available for future issuance under the 2009 Plan and 687,427 shares remaining available for issuance under the ESPP.

For more information on our equity compensation plans, see Notes 18 and 19 to the Consolidated Financial Statements in our annual report on Form 10-K for the fiscal year ended December 31, 2018.

Director Compensation

We use cash and equity-based compensation to attract and retain qualified candidates to serve on our Board. In setting director compensation, we consider the significant amount of time that members of the Board expend in fulfilling their duties to us, the skill level required of our members and other relevant information. The compensation committee and the Board have the primary responsibility for reviewing and considering any revisions to, and approving director compensation. We do not pay our management directors for board service in addition to their regular employee compensation.

Prior to August 21, 2018, each of our non-employee directors received annual fees of \$40,000 in cash, payable in quarterly installments, and \$40,000 in equity in the form of restricted stock units under our Amended and Restated 2009 Stock Incentive Plan. Since August 21, 2018, each of our non-employee directors has received annual fees of \$50,000 in cash, payable in quarterly installments, and \$50,000 in equity in the form of restricted stock units under our Amended and Restated 2009 Stock Incentive Plan. Such restricted stock units are subject to vesting and will vest on the earlier of the date of our annual meeting or June 1, 2019, subject to continued service on the Board through the vesting date. In addition, each of our non-employee directors shall have the right to receive promptly following the vesting date a dividend equal to the product of (i) the number of RSUs vested on such date, multiplied by (ii) the total dividends declared and paid per share of common stock since the Date of Award. Such vesting is subject to full acceleration in the event of certain change in control transactions.

In addition to the foregoing, the chairpersons of the Audit Committee, the Compensation Committee and Corporate Governance Committee receive annual fees of \$15,000, \$10,000 and \$5,000, respectively, and each of our non-employee directors that is a member of the Audit Committee, Compensation Committee and Corporate Governance Committee receives annual fees of \$5,000, \$2,500 and \$2,500, respectively.

From time to time, our non-employee directors may receive additional compensation through equity compensation or otherwise at the discretion of the disinterested directors of the Board for extraordinary service relating to their capacity as members of the Board.

The following table summarizes the total compensation that members of the Board (other than directors who are named executive officers) earned during the fiscal year ended December 31, 2018 for services rendered as members of the Board.

Name ⁽¹⁾	Fees Earned or	Stock	Total (\$)
	Paid in Cash (\$) ⁽⁴⁾	Awards (\$) ⁽⁵⁾	
Robert D'Agostino	56,631	50,000	106,631
Robert L. Antin	50,631	50,000	100,631
Michael J. Sheldon	48,131	50,000	98,131
Todd D. Sims	50,131	50,000	100,131

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Richard L. Todaro ⁽²⁾	24,381	-	24,381
Mikel H. Williams	58,631	50,000	108,631
Gary K. Wunderlich, Jr. ⁽³⁾	-	-	-

Bryant R. Riley, a member of the Board, our Chairman and Co-Chief Executive Officer, Thomas J. Kelleher, a member of the Board, our Co-Chief Executive Officer, and Andrew Gumaer, a member of the Board and the Chief Executive Officer of GAG, LLC ⁽¹⁾included in this table because as employees Messrs. Riley, Kelleher and Gumaer received no additional compensation for services as directors for 2018. The compensation received by Messrs. Riley, Kelleher and Gumaer as our employees is shown in the summary compensation table provided above in “Executive Compensation-Summary Compensation Table.”

⁽²⁾Richard Todaro served as a director from July 21, 2014 to July 26, 2018.

⁽³⁾Gary K. Wunderlich, Jr. served as a director from July 3, 2017 to July 26, 2018 and did not receive any compensation for his services as a director since he also served as an employee of the company.

⁽⁴⁾The fees paid in cash also include dividends paid on stock or option awards.

⁽⁵⁾The amounts in the Stock Awards column reflect the aggregate grant date fair value of restricted stock units granted to the applicable director in 2018 calculated in accordance with FASB ASC 718. We granted 2,262 restricted stock units to Messrs. D’Agostino, Antin, Sheldon, Sims, and Williams on August 21, 2018 for such directors’ annual stock grant of \$50,000. The grant date fair value of the restricted stock units was \$22.10 per share on August 21, 2018. The restricted stock units awards vest on the earlier of June 1, 2019 or our 2019 annual meeting. In addition, each of our non-employee directors has the right to receive promptly following the vesting date an amount equal to the product of (i) the number of RSUs granted to the applicable director on the date, multiplied by (ii) the total dividends declared and paid per share of common stock since the Date of Award. The value of such awards is subject to full acceleration in the event of certain change in control transactions with respect to us and is contingent upon continued service of the applicable director on the Board through the applicable vesting date. As of December 31, 2018, a total of 11,310 restricted stock units granted to Messrs. D’Agostino, Antin, Sheldon, Sims, and Williams remain outstanding.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information concerning the beneficial ownership of the shares of our common stock as of April 5, 2011, for: (i) each person we know to be the beneficial owner of 5% or more of the outstanding shares of our common stock; (ii) each executive officer and director listed in the Summary Compensation Table; (iii) each of our directors; and (iv) all of our executive officers and directors as a group. Unless otherwise indicated, the address of the individuals listed below is the address appearing on the cover of this Annual Report.

Name or Group of Beneficial Owners ⁽¹⁾	Shares Beneficially	
	Owned ⁽²⁾ Number	Percent
Directors and Named Executive Officers:		
Bryant R. Riley ⁽³⁾	4,657,526	17.6 %
Thomas J. Kelleher ⁽⁴⁾	542,960	2.0 %
Phillip J. Ahn	70,319	*
Andrew Gumaer ⁽⁵⁾	644,595	2.4 %
Kenneth Young	41,655	*
Andrew Moore	93,467	*
Robert D'Agostino	132,443	*
Robert L. Antin	204,868	*
Michael J. Sheldon	10,178	*
Todd D. Sims	11,651	*
Mikel H. Williams	49,102	*
Executive officers and directors as a group (13 persons)^{(6):}	6,530,804	24.6 %
5% Stockholders:		
Daniel Asher and associated persons ⁽⁷⁾	2,244,104	8.5 %
Funds associated with Elliott Associates, L.P. ⁽⁸⁾	2,306,450	8.7 %
Neil S. Stubin as President and Manager of MILFAM LLC. and associated persons ⁽⁹⁾	1,819,030	6.9 %
Funds associated with Punch & Associates Investment Management, Inc. ⁽¹⁰⁾	1,394,881	5.3 %
Funds associated with Nokomis Capital, L.L.C. ⁽¹¹⁾	1,372,314	5.2 %

* Represents less than 1%.

⁽¹⁾ Unless otherwise indicated, the business address of each holder is c/o B. Riley Financial, Inc., 21255 Burbank Blvd., Suite 400, San Francisco, CA 94134.

Applicable percentage ownership is based on 26,525,216 shares of our common stock outstanding as of April 5, 2019. Beneficial ownership is determined in accordance with the rules of the SEC and is based on voting and investment power with respect to shares, subject to applicable community property laws. Shares of our common stock subject to options or other contractual rights currently exercisable within 60 days after April 5, 2019, are deemed outstanding for the purpose of computing the percentage ownership of any person holding such options but are not deemed outstanding for computing the percentage ownership of any other person.

Represents 4,364,409 of our common shares beneficially owned by Mr. Riley directly or jointly with his wife, 19,500 of our common shares beneficially owned by Mr. Riley in custodial accounts for his children, 73,617 of our common shares held of record by Mr. Riley and Co., LLC 401(k) Profit Sharing Plan FBO Bryant Riley, which we refer to as the Riley profit sharing plan, and 200,000 of our common shares held of record by the Robert Antin Children Irrevocable Trust dtd 1/1/01, which we refer to as the Antin Trust. Mr. Riley is the trustee of the Riley profit-sharing plan and the Antin Trust and, as such, has the power to vote or dispose of the securities owned by each of the Riley profit-sharing plan and the Antin Trust and may be deemed to beneficially own such securities. Mr. Riley has collateralized 4,024,714 shares in favor of Axos Bank pursuant to the terms of a Credit Agreement and Pledge Agreement, each dated March 19, 2019. The business address of each of Mr. Riley, the Riley profit-sharing plan and the Antin Trust is 11100 Santa Monica Suite 800, Los Angeles, California 90025.

Represents 74,212 of our common shares beneficially owned by Mr. Kelleher, 456,248 of our common shares held of record by Mr. Kelleher and M. Meighan Kelleher as trustees for the Kelleher Family Trust, 10,100 of our common shares held by Mr. Kelleher as trustee for the Kelleher self-directed IRA, Thomas John Kelleher IRA, 600 of our common shares held with dispositive power for Mary Meighan Kelleher, 600 of our common shares held with dispositive power for Lyndsey Kelleher, 600 of our common shares held of record by Thomas Kelleher as UTMA custodian for daughter Kaitlin Kelleher and 600 of our common shares held with dispositive power for Mary Meighan Kelleher.

Represents (i) 308,595 of our common shares held of record by Mr. Gumaer and (ii) 336,000 of our common shares held of record by Mr. Andrew & Dana Gumaer as Trustees for the Gumaer Living Trust, as to which Mr. Gumaer disclaims beneficial ownership to the extent of such pecuniary interest.

(6) Includes shares held by Howard Weitzman, directly and through his self-directed 401(k), and shares held by Alan Forman.

An amended Schedule 13D filed with the SEC on August 7, 2018 indicates that, as of August 3, 2018, Daniel Asher had (i) sole dispositive power over 244,104 of our common shares, and (ii) with DJ Fund Investments, LLC and associated persons, shared dispositive power over 2,000,000 of our common shares. The business address of Daniel Asher and associates is: c/o Equities, 111 W. Jackson Blvd., Suite 2000, Chicago, IL 60604.

Based on information provided on a Schedule 13D/A filed with the SEC on July 25, 2014 by the Liverpool Limited Partnership, a partnership organized and existing under the laws of Bermuda, which we refer to as LLP, and Middleton International Limited, a Cayman Islands exempted company, which we refer to as MIL. Represents 807,180 of our common shares held of record by LLP and 1,192,820 of our common shares held of record by MIL. LLP is a wholly owned subsidiary of Elliott Associates, L.P., a Delaware limited liability partnership, which we refer to as EALP, and MIL is a wholly owned subsidiary of Elliott International, L.P., a Cayman Islands limited liability partnership, which we refer to as EILP. Paul E. Singer, Elliott Capital Advisors, L.P., a Delaware limited liability partnership, which we refer to as EACA, and Elliott Special GP, LLC, a Delaware limited liability company, which we refer to as EASGP, are the general partners of EALP. Elliott International Capital Advisors Inc., a Cayman Islands corporation, which we refer to as EICA, is the investment manager for EILP. Hambleton, Inc., a Cayman Islands corporation, which we refer to as Hambleton, which is also controlled by Mr. Singer, is the sole general partner of EILP. The business address of EALP, MIL, EALP, Mr. Singer, Capital Advisors, Special GP and EICA is 40 West 57th Street, New York, New York 10019. The business address of EILP and Hambleton is c/o Maples & Calder, P.O. Box 309, Uglund House, South Church Street, George Town, Cayman Islands, British West Indies.

An amended Schedule 13G/A filed with the SEC on February 13, 2019 indicates that, as of December 31, 2018, Neil S. Stubin succeeded to the position of President and Manager of MILFAM LLC, which serves as manager, general partner, or investment manager of a number of entities formerly managed or advised by the late Lloyd I. Miller, III. Mr. Stubin also serves as trustee of a number of family trusts had (i) sole voting and dispositive power with respect to 1,616,381 of our common shares as (A) manager of a limited liability company that is the adviser to certain trusts, (B) manager of a limited liability company that is the general partner of a certain partnership, (C) manager of a limited liability company, and (D) an individual, and (ii) shared voting and dispositive power with respect to 202,649 of our common shares as (A) an advisor to the trustee of a certain trust, and (B) with respect to shares owned by Mr. Miller. The business address of Neil S. Stubin is 3300 South Dixie Hwy, Suite 1-365, West Palm Beach, FL 33405.

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(10) A Schedule 13G filed with the SEC on February 13, 2019 indicates that, as of December 31, 2018, Punch & Associates Investment Management, Inc. had sole voting and dispositive power over 1,394,881 B. Riley common shares, and dispositive power over no B. Riley common shares. The business address of Punch & Associates Investment Management, Inc. is 7701 France Ave So. Suite 300, Edina, MN 55435.

(11) An amended Schedule 13G/A filed with the SEC on February 13, 2019 indicates that, as of December 31, 2018, Nokomis Capital, L.L.C. had sole voting and dispositive power over no B. Riley common shares, and shared voting and dispositive power with its principal, Mr. Brett Hendrickson, over 1,372,314 B. Riley common shares. The business address of Nokomis Capital, L.L.C and Mr. Brett Hendrickson is 2305 Cedar Springs Rd., Suite 420, Dallas, TX 75201.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Company's Board of Directors is comprised of independent directors as required by the listing standards of the Nasdaq Stock Market, Inc. The Audit Committee operates pursuant to a written charter adopted by the Board of Directors.

The role of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board of Directors. Management of the Company has the primary responsibility for the Company's financial statements as well as the Company's financial reporting process, including accounting principles and internal controls. The Company's independent public accountants are responsible for performing an audit of the Company's financial statements and expressing an opinion as to the conformity of such financial statements with generally accepted accounting principles.

In this context, the Audit Committee has reviewed and discussed the audited financial statements of the Company as of and for the year ended December 31, 2018 with management and the Company's independent public accountants. The Audit Committee has discussed with the Company's independent public accountants the matters required to be discussed by Statement on Auditing Standards No. 1301 (Communication with Audit Committees) as adopted by the Public Company Accounting Oversight Board and as currently in effect. In addition, the Audit Committee has received the written disclosures and the letter from the Company's independent public accountants required by the applicable requirements of the Public Company Accounting Oversight Board and it has discussed with the Company's independent public accountants their independence from the Company.

The members of the Audit Committee are not engaged in the accounting or auditing profession. In the performance of their oversight, the members of the Audit Committee necessarily relied upon the information, opinions, reports and statements presented to them by management of the Company and by the Company's independent public accountants. As a result, the Audit Committee's oversight, review and discussions referred to above do not assure that management has maintained adequate financial reporting processes, that internal controls, that the Company's financial statements are accurate, that the audit of such financial statements has been conducted in accordance with generally accepted auditing standards or that the Company's independent public accountants meet the applicable requirements of independent public accountants independence.

Based on the reports and discussions described above, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, for filing with the SEC.

Respectfully submitted,
THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
Mikel H. Williams

Robert D'Agostino

Todd D. Sims

This report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, to the extent that we specifically incorporate this information by reference and shall not otherwise be deemed filed under such act.

COMPENSATION COMMITTEE REPORT

The compensation committee of our Board of Directors has reviewed and discussed the Compensation Discussion and Analysis under Item 402(b) of Regulation S-K, which appears elsewhere in this proxy statement, with our management. Based on this review and the compensation committee has recommended to our board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted,
THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS
Robert D'Agostino

Robert L. Antin
Michael J. Sheldon

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement and annual report to those stockholders. This process, which is commonly referred to as “householding,” potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are the Company’s stockholders will be “householding” our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be “householding” communications to you, “householding” will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in “householding” and would prefer to receive a separate proxy statement and annual report, please notify your broker, directly or by request to B. Riley Financial, Inc., c/o Corporate Secretary, 21255 Burbank Boulevard, Suite 400, Woodland Hills, California 91367. Investor Relations at (818) 884-3737. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request “householding” of their communications should contact their brokers.

STOCKHOLDER PROPOSALS

Pursuant to Rule 14a-8 under the Exchange Act, stockholders may present proper proposals for inclusion in our proxy statement for consideration at our next annual meeting of stockholders. To be eligible for inclusion in our 2020 proxy statement, a stockholder proposal must be received by us no later than December 19, 2019, unless the date of our 2020 Annual Meeting of Stockholders is more than 60 days before or after May 21, 2020 (the one-year anniversary date of the Annual Meeting), in which case such proposals must be received by the Company a reasonable time before the Company begins to print and send applicable proxy materials. In addition, stockholder proposals must otherwise comply with Rule 14a-8 under the Exchange Act.

Pursuant to the terms of our Bylaws, stockholders wishing to submit proposals or director nominations, including those that are included in such proxy statement and proxy, must provide timely notice in writing to our Secretary. To be timely, a stockholder proposal must be delivered to or mailed and received at our principal executive offices not less than 60 days or more than 90 days prior to the anniversary of the previous year’s annual meeting of stockholders for our 2020 annual meeting of stockholders, unless the date of the annual meeting of stockholders is more than 30 days before or 70 days after the one-year anniversary of the Annual Meeting, in which case notice by the stockholder must be delivered not earlier than 90 days prior to the annual meeting and not later than the later of (a) the 60th day before such annual meeting or (b) the tenth day following the date on which we first make a public announcement of the date of the annual meeting.

While our board will consider proper stockholder proposals that are properly brought before the annual meeting, we reserve the right to exclude from our 2019 proxy statement stockholder proposals that we are not required to include under the Exchange Act.

ANNUAL REPORT

Our 2018 Annual Report on Form 10-K accompanies the proxy materials being provided to all stockholders. We will provide, upon request, additional copies of our 2018 Annual Report on Form 10-K upon the receipt of a written request by any stockholder.

OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at our annual meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

Bryant R. Riley
Chairman and Co-Chief Executive Officer

Appendix A

AMENDMENT

TO

**B. RILEY FINANCIAL, INC.
AMENDED AND RESTATED 2009 STOCK INCENTIVE PLAN**

B. Riley Financial, Inc., a Delaware corporation (the “Company”), hereby amends the B. Riley Financial, Inc. Amended and Restated 2009 Stock Incentive Plan (the “Plan”) as follows:

1. **Amendment to Section 3.** The first sentence of Section 3 of the Plan is hereby amended and restated in its entirety to read as follows:

“Subject to adjustment pursuant to Section 13 below, a total of 6,210,133 Shares shall be available for issuance under the Plan.”

2. **Amendment to Section 5(f)(ii).** Subsection (f)(ii) of Section 5 of the Plan is hereby amended and restated in its entirety to read as follows:

“**Maximum Limit.** The number of Shares that are available for ISO Awards shall not exceed 6,210,133 Shares (as adjusted pursuant to Section 13 of the Plan), and shall be determined, to the extent required under the Code, by reducing the number of Shares designated in the Plan by the number of Shares issued pursuant to Awards, provided that any Shares that are subject to Awards issued under the Plan that are forfeited back to the Plan before an issuance of Shares shall be available for issuance pursuant to future ISO Awards.”

3. **Capitalized Terms.** Unless otherwise expressly provided for in this Amendment to the Plan (this “Amendment”), all words, phrases, or defined terms used in this Amendment will have the same meaning ascribed to them in the Plan.

4. **No Other Changes.** Except as expressly set forth in this Amendment, there have been no other changes or modifications to the Plan, and the Plan remains otherwise unchanged and in full force and effect.

5. **Effective Date.** This Amendment shall be effective as of May 21, 2019.

IN WITNESS WHEREOF, the undersigned has caused this Amendment to be executed effective as of the date set forth above.

B. RILEY FINANCIAL, INC.,
a Delaware corporation

By: /s/ Phillip J. Ahn
Phillip J. Ahn, Chief Financial Officer

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B. RILEY FINANCIAL, INC. PROXY SOLICITED BY THE BOARD OF DIRECTORS FOR THE 2019 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 21, 2019 The undersigned hereby appoints Phillip J. Ahn and Bryant R. Riley and as proxies and attorneys-in-fact, with full power of substitution, and hereby authorizes them to vote all of the shares of stock of Financial, Inc. which the undersigned may be entitled to vote at the 2019 Annual Meeting of Stockholders of B. Riley Financial held on May 21, 2019 at 8:00 a.m. (local time) at The Beverly Hilton Hotel at 9876 Wilshire Boulevard, Beverly Hills, CA 90210 (the “B. Riley Annual Meeting”), and at any and all postponements, continuations and adjournments thereof with all powers that the undersigned would possess if personally present, upon and in respect of the following matters and in accordance with the following instructions: UNLESS OTHERWISE INDICATED, THIS PROXY WILL BE VOTED FOR PROPOSALS 2, 3, AND 5, FOR “3 YEAR STRATEGY” PROPOSAL 4, AND FOR THE NOMINEES FOR DIRECTOR LISTED IN PROPOSAL 1, AS MORE SPECIFICALLY DESCRIBED IN THE PROXY STATEMENT. IF SPECIFIC INSTRUCTIONS ARE INDICATED, THIS PROXY WILL BE VOTED IN ACCORDANCE THEREWITH. (Continued and to be signed on the reverse side) PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN ENVELOPE PROVIDED. Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders on May 21, 2019: The Proxy Statement and our 2018 Annual Report on Form 10-K are available at: <http://www.viewproxy.com/brileyfin/2019>.

Please mark your votes like this The Board of Directors recommends a vote "FOR" proposals 2, 3, and 5, for "3 YEARS" in the nominees for director listed in Proposal 1. 1. The election as directors of the nominees listed below: FOR WITHHOLD EXCEPT (01) Bryant R. Riley (04) Todd D. Sims (07) Michael J. Sheldon (02) Robert D'Agostino (05) Thomas J. Kelleher (06) Antin (03) Andrew Gumaer (06) Mikel H. Williams INSTRUCTION: To withhold authority to vote for any individual nominee. All Except" and write that nominee's name in the space provided below. 2. To ratify the selection of Marcum LLP as our independent public accounting firm for the fiscal year ending December 31, 2019. FOR AGAINST ABSTAIN 3. To approve, on an advisory basis, the compensation of our named executive officers. FOR AGAINST ABSTAIN 4. To vote, on an advisory basis, on the 2019 advisory vote on the compensation of our named executive officers. 3 YEARS 2 YEARS 1 YEAR ABSTAIN 5. To approve an amendment to the Amended and Restated 2009 Stock Incentive Plan to increase the number of shares of the Company's common stock reserved for issuance thereunder by 3,000,000 shares from 3,210,133 shares to 6,210,133 shares. FOR AGAINST ABSTAIN 6. To approve such other business as may properly come before the meeting or any adjournment or postponement thereof. DO NOT PRINT IN THIS SPACE (Shareholder Name & Address Data) FOR AGAINST ABSTAIN Please indicate if you plan to attend this meeting YES NO If the Board of Directors knows of no other matters that will be presented for consideration at the 2019 B. Riley Annual Meeting. If any other matters are properly brought before the 2019 B. Riley Annual Meeting, it is the intention of the persons named in the proxy card to vote on such matters in accordance with their best judgment. This proxy, when properly executed, will be voted in the manner directed by the undersigned stockholder. If no specification is made, this proxy will be voted FOR the election of the named nominees as directors. 1, FOR each of proposals 2, 3, and 5, and "3 YEARS" for proposal 4. Please sign exactly as name appears below. When shares are held by tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If you are a corporation, please sign in full corporate name by the President or other authorized officer. If a partnership, please sign in partnership name. Date Signature Signature (Joint Owners) PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED. CONTROL NUMBER PROXY VOTING INSTRUCTIONS Please have your 11-digit control number ready when you vote by Internet or Telephone INTERNET Vote Your Proxy on the Internet: Go to www.AALvote.com/RILY Have your proxy card available when you access the above website. Follow the prompts to vote your shares. TELEPHONE Vote Your Proxy by Phone: Call 1 (866) 866-8666 on any touch-tone telephone to vote your proxy. Have your proxy card available when you call. Follow the voting instructions to vote your shares. MAIL Vote Your Proxy by Mail: Mark, sign, and date your proxy card, then detach it, and return it in the postage-paid envelope provided.