Via Email and X.com
Bryant Riley
CEO, B Riley Financial, Inc.
11100 Santa Monica Blvd., Suite 800
Los Angeles, CA 90025
cc: Phillip J. Ahn, Chief Financial Officer and Chief Operating Officer
cc: Alan Forman, General Counsel

Dear Mr Riley:

As a long-term observer, and relatively new common shareholder, of B. Riley Financial, Inc. (RILY), I wish to commend you and your team on the recent asset monetizations you have announced in order to pay down RILY's Nomura debt and generally to get RILY's fiscal house in order. In a compressed timeframe, you have accomplished the following: (1) On October 13, 2024, entered into an equity purchase agreement with Oaktree regarding Great American Group for consideration consisting of $203 million in cash and Class B Preferred Units in newco with a liquidation preference of $183 million, while retaining 44% of newco's common units; (2) on October 25, 2024, sold RILY's brands business for upfront consideration of $189 million in cash and its bebe and Brookstone brands for an additional $47 million in cash; and (3) on November 1, 2024, announced the sale of a portion of RILY's wealth business to Stifel Financial for approximately $27 million to $35 million in cash. ***All told, these monetizations should result in up to approximately $475 million in cash to pay down RILY debt. This represents extremely impressive performance by the RILY management team in short order.***

On the flip side of the equation, however, the company will still be saddled with over $1.5 billion of baby bonds once the above transactions are consummated, with annual interest payments totaling approximately $90 million per year, as well as (x) $125 million drawn on the Nomura credit facility and (y) several other credit facilities representing roughly $175 in aggregate. Going forward, the remaining business lines of RILY will be composed of (i) B Riley Securities, (ii) the Communications Portfolio, (iii) what is left of Wealth Management after the Stiefel sale, and (iv) Targus. Also, as of September 30, 2024, according to public disclosures the company had cash and investments (including publicly traded equity securities, as listed in RILY's most recent 13-F filing) which I estimate at approximately $845 million to draw on as additional liquidity sources. ***These assets should be sufficient to see RILY through the current operational downturn, which hopefully will dissipate if and when the capital markets loosen back up under a new, more business-friendly administration in Washington beginning in January 2025.*** (As a reminder, in 2021 and 2022 combined RILY's capital markets segment alone earned $560 million in operating income.)

RILY's incumbent leadership's decisions in recent years, particularly the decision to enter into the disastrous FRG take-private deal in 2023, have put RILY squarely behind the eight ball in the short term, however. In other words, the current situation is a result of numerous unforced errors on your part. This necessitates serious self-reflection on the part of management and the board regarding what went wrong and what steps RILY can take in the near future to insure a prosperous future for all of its stakeholders, including its true owners, the shareholders (of which you, the CEO, are obviously the largest with a holding of 7 million shares (or 23% of the outstanding amount)). In your email of November 4th, you blamed (in part) "internet short sellers trading weekly options and feeding sensational stories to one-sided journalists" for RILY's problems. Blaming others is a failing strategy, in my opinion. You and your team need to accept complete responsibility for what has happened, while also acknowledging that you can right the ship regardless of what underemployed haters say on X.com. ***Specifically, please note my following near-term and intermediate-term suggestions to improve shareholder value at RILY:***

1. Set up a war room at RILY's LA HQ to focus specifically on continued asset monetizations and the paydown of outstanding debt. Certain issues of RILY's baby bonds (e.g., RILYZ, the 5.25% Senior Notes due 2028, and RILYT, the 6.00% Senior Notes due 2028) currently trade at less than 40% of par value, while several of the issues due in 2026 (RILYG and RILYN) trade at around 50% of par. Each dollar spent can retire $2 to $2.50 worth of this long-term debt. There needs to be an "all hands on deck approach" to addressing this opportunity ASAP. Precedent exists: Note that back in 2015 Softbank, which had acquired 80% ownership of Sprint for $22B two years earlier, saw its investment floundering under a massive debt load and poor operational performance. Rather than accept defeat, Masayoshi Son set up a war room on-site at Sprint's HQ in Kansas City for him and his team (Masa Son even went so far as to buy a house in Kansas City to monitor Sprint more closely). Operations at Sprint gradually improved, the company was subsequently acquired by T-Mobile in 2020, and the value of Softbank's original investment (converted to 305MM shares of TMUS stock) has appreciated by tens of billions of dollars.
2. Continue to pay dividends on the RILY-L and RILY-P preferred stock. This will potentially enable the company to issue new preferred stock at par in the private market. Proceeds could be used to retire existing baby bonds at a discount to par [see point #1 above]. By way of example, please note that Ashford Hospitality Trust (ticker: AHT) has continued to issue $25 par preferred stock (see AHT Preferred, Series J and Series K) via private offerings, even while its publicly-traded preferred stock (Series D, F, G, H and I) trades at large discounts to par. Why couldn't RILY do similarly?
3. Consider announcing a rights offering open to all investors, perhaps backed by Bryant Riley and/or Oaktree. This would raise non-dilutive capital that could be used to retire debt and build confidence in the company's liquidity situation, thereby buying time for RILY's underlying operations to turn around. [NOTE: If Bryant Riley proceeds with his $7/share go-private offer, he should consider allowing significant shareholders to roll their equity into the surviving entity, so those who believe a turnaround is possible can participate in an upside scenario if they wish.]
4. Become current on your SEC filings as quickly as practicable. While it is understandable that RILY may not be able to accomplish this right now, in light of the above asset sales and while dealing with the financial implications of the FRG bankruptcy, a prerequisite for doing #2 and #3 above would be that RILY becomes current in its financial filings.
5. Take on additional board members from large stakeholders, such as Neil Subin (1.8MM common shares), Dan Asher (2.9MM common shares), Oaktree, etc. Outside perspectives can help avoid tunnel-vision, bunker mentality and group think that can develop over time when a board is not timely and adequately refreshed. Including outsiders can provide a board with big-picture ideas or potential avenues to success that may not be available to those suffering from the proverbial

"fog of war" that tends to encircle an embattled company. Adding board members with perspectives and skillsets missing from the current board could be a boon for RILY in the coming months and years.

6. Hold an in-person annual meeting of RILY shareholders in 2025. The company obviously has the capability to do large in-person events, as witnessed by your various conferences. It is imperative that the true owners of RILY (the shareholders) get a chance to interact with company leadership ***IN PERSON*** at lease once per year (this also provides valuable feedback to management not possible via a webinar-style meeting). In my experience, virtual shareholder meetings are largely pro forma and a waste of time.
7. Make the RILY investor day that you held in December 2023 an annual event, beginning in 2025 (and consider combining this event with the annual meeting, resembling the presentation that Berkshire Hathaway puts on annually for its owners).
8. Communicate to your employees and to shareholders that the future remains bright and that RILY's best days are ahead of it. The incoming Trump administration should, logically, be a boon for M&A, less regulation, etc. ***Meaning: MORE DEALS TO DO!*** Forget about the short sellers, who are broken records and will never give credit to the company for anything. Focus on the future. ***And most importantly, focus on execution, execution, execution!***

Please contact me if you would like to discuss any of the above items further. Now is the time for you and your team to seize the day. Please act on the above suggestions ASAP! Thanks very much.

Sincerely,

Scott Klarquist

CIO, Seven Corners Capital Management, LLC