BROWN THOMAS K
Form 4
April 06, 2011

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
SECOND CURVE CAPITAL LLC

(Last) (First) (Middle)

237 PARK AVENUE, 9TH FLOOR

(Street)

NEW YORK, NY 10017

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CompuCredit Holdings Corp [CCRT]

3. Date of Earliest Transaction (Month/Day/Year)
04/04/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
___ Form filed by One Reporting Person
_X_ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	04/04/2011		S		40,000	D	$ 6.68	3,511,230 (1)	I	By advisory clients of Second Curve Capital LLC
Common Stock	04/05/2011		S		50,000	D	$ 6.83	3,461,230 (1)	I	By advisory clients of Second Curve

Capital
LLC

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SECOND CURVE CAPITAL LLC 237 PARK AVENUE 9TH FLOOR NEW YORK, NY 10017		X		
BROWN THOMAS K C/O SECOND CURVE CAPITAL, LLC 237 PARK AVENUE, 9TH FLOOR NEW YORK, NY 10017		X		

Signatures

Second Curve Capital, LLC, By: /s/ Thomas K. Brown — 04/06/2011

**Signature of Reporting Person — Date

/s/ Thomas K. Brown — 04/06/2011

**Signature of Reporting Person — Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) These securities may be deemed to be beneficially owned by Second Curve Capital, LLC and Thomas K. Brown. Second Curve Capital, LLC is the investment manager of Second Curve Partners, LP, Second Curve Partners II, LP, Second Curve Partners International, Ltd., Second Curve Opportunity Fund, LP, Second Curve Opportunity Fund II, LP, Second Curve Opportunity Fund International, Ltd., Second Curve Vision Fund, LP, Second Curve Vision Fund International, Ltd. Thomas K. Brown is the managing member of Second Curve Capital, LLC. Each such Reporting Person disclaims beneficial ownership of the reported securities except to the extent of his or its pecuniary interest therein, and this report shall not be deemed an admission that such Reporting Person is the beneficial owner of the securities for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, or for any other purpose

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. id; text-align: right">26,117 65.0% 32,973 46.1%Total operating expenses 38,362 95.4% 51,361 71.8%Operating income 1,845 4.6% 20,131 28.2%Other income (expense): Interest income 6 0.0% 5 0.0%Interest expense (407) -1.0% (671) -1.0%Income before income taxes 1,444 3.6% 19,465 27.2%Provision for income taxes (101) -0.3% (7,460) -10.4%Net income 1,343 3.3% 12,005 16.8%Net income attributable to noncontrolling interests 1,196 2.9% 659 0.9%Net income attributable to B. Riley Financial, Inc. $147 0.4% $11,346 15.9%

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Revenues.

The table below and the discussion that follows are based on how we analyze our business.

	Six Months Ended June 30, 2016		Six Months Ended June 30, 2015		Change	
	Amount	%	Amount	%	Amount	%
Revenues - Serivces and Fees:						
Capital Markets segment	$12,736	31.7 %	$22,865	32.0 %	$(10,129)	-44.3%
Auction and Liquidation segment	12,300	30.6 %	23,134	32.4 %	(10,834)	-46.8%
Valuation and Appraisal segment	15,169	37.7 %	15,027	21.0 %	142	0.9 %
Subtotal	40,205	100.0%	61,026	85.4 %	(20,821)	-34.1%
Revenues - Sale of goods						
Auction and Liquidation	2	0.0 %	10,466	14.6 %	(10,464)	n/m
Total revenues	$40,207	100.0%	$71,492	100.0%	$(31,285)	-43.8%

n/m - Not applicable or not meaningful.

Total revenues decreased $31.3 million, to $40.2 million during the six months ended June 30, 2016 from $71.5 million during the six months ended June 30, 2015. The decrease in revenues during the six months ended June 30, 2016 was primarily due to a decrease in revenues from services and fees of $20.8 million and a decrease in revenues from the sale of goods of $10.5 million. The decrease in revenues from services and fees of $20.8 million in 2016 was primarily due to a decrease in revenues of $10.1 million in the capital markets segment and $10.8 million in the auction and liquidation segment, offset by an increase in revenues from services and fees of $0.1 million in the valuation and appraisal segment. The decrease in revenues from sale of goods of $10.5 million is primarily due to sale of retail goods that we acquired title to in March 2015 from the bankruptcy trustee of Schoenenreus. In 2015, we acquired title to the retail goods of Schoenenreus, a retailer of men’s, women’s and children’s shoes, clothing and accessories that operated 121 retail locations throughout the Netherlands and sold all such retail goods in the months of March and April 2015.

Revenues from services and fees in the capital markets segment decreased $10.1 million, to $12.7 million during the six months ended June 30, 2016 from $22.8 million during the six months ended June 30, 2015. The decrease in revenues was primarily due to a decrease in revenues of $8.4 million from investment banking fees, $0.7 million from

trading income and $1.0 million from commissions, fees and other income primarily earned from research, sales and trading, and wealth management services. The decrease in revenues from investment banking fees in 2016 was primarily due to a decrease in the number of investment banking transactions where we acted as an advisor. The decrease in revenues from trading income in 2016 was primarily due to a decrease in income we earned from trading activities in our propriety trading account. The decrease in revenues from commissions, fees and other income primarily earned from research, sales and trading, and wealth management services was primarily due to a decrease in fees and commissions earned from research, sales and trading activities by B. Riley & Co., LLC, our broker dealer.

Revenues from services and fees in the auction and liquidation segment decreased $10.8 million, to $12.3 million during the six months ended June 30, 2016 from $23.1 million during the six months ended June 30, 2015. The decrease in revenues of $10.8 million was primarily due to a decrease in revenues of $12.5 million from services and fees from retail liquidation engagements, offset by an increase in revenues $1.7 million from services and fees in our wholesale and industrial auction division. The decrease in revenues from services and fees from retail liquidation engagements was primarily due to revenues we earned in the first half of 2015 from our participation in the joint venture involving the liquidation of inventory for the going-out-of-business sale of 133 Target stores located in Canada. In the first half of 2016, we did not have any similar large retail liquidation engagements that were completed. We are currently engaged to liquidate inventory for the going-out-of-business sale of Hancock Fabrics, Inc.'s retail stores in the United States and upon completion of the liquidation of inventory revenue will be recognized in the third quarter of 2016. The increase in revenues from services and fees in our wholesale and industrial division was primarily due to revenues from services and fees we earned on a large wholesale and industrial auction engagement that was completed in the first quarter of 2016.

Revenues from services and fees in the valuation and appraisal segment increased $0.1 million, to $15.1 million during the six months ended June 30, 2016 from $15.0 million during the six months ended June 30, 2016. The increase in revenues was primarily due to an increase in revenues of $0.4 million related to appraisal engagements where we perform valuations of intellectual property and business valuations and an increase in revenues of $0.1 million related to appraisal engagements where we perform valuations for the monitoring of collateral for financial institutions, lenders, and private equity investors, offset by a decrease in revenues of $0.3 million related to appraisal engagements where we perform valuations of machinery and equipment.

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Operating Expenses

Direct Cost of Services. Direct cost of services and direct cost of services measured as a percentage of revenues – services and fees by segment during the six months ended June 30, 2016 and 2015 are as follows:

	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015		
	Auction and Liquidation Segment	Valuation and Appraisal Segment	Total	Auction and Liquidation Segment	Valuation and Appraisal Segment	Total
Revenues - Services and fees	$ 12,300	$ 15,169		$ 23,134	$ 15,027	
Direct cost of services	5,505	6,738	$ 12,243	8,920	6,397	$ 15,317
Gross margin on services and fees	$ 6,795	$ 8,431		$ 14,214	$ 8,630	
Gross margin percentage	55.2 %	55.6 %		61.4 %	57.4 %	

Total direct cost of services decreased $3.1 million, to $12.2 million during the six months ended June 30, 2016 from $15.3 million during the six months ended June 30, 2015. Direct cost of services in the auction and liquidation segment decreased $3.4 million, to $5.5 million during the six months ended June 30, 2016 from $8.9 million during the six months ended June 30, 2015. The decrease in expenses was primarily due to a decrease in the number of fee and commission type engagements in 2016 where we contractually bill fees, commissions and reimbursable expenses as compared to the same period in 2015 and a decrease in expenses we incurred during 2015 related to the retail liquidation engagement from operating the Schoenenreus stores in the Netherlands. Direct cost of services in the valuation and appraisal segment increased $0.3 million, to $6.7 million during the six months ended June 30, 2016 from $6.4 million during the six months ended June 30, 2015. The increase in direct costs of services in the valuation and appraisal segment was primarily due to an increase in payroll and related costs due to an increase in headcount in 2016 as compared to the same period in 2015.

Gross margin in the auction and liquidation segment for services and fees decreased to 55.2% of revenues during the six months ended June 30, 2016, as compared to 61.4% of revenues during the six months ended June 30, 2015. The decrease in the gross margin during the six months ended June 30, 2016 was primarily due to a change in the mix of fee type engagements in 2016 as compared to the same period in 2015. Gross margin in 2015 was favorably impacted from the revenues we earned from our participation in the joint venture involving the liquidation of inventory for the going-out-of-business sale of 133 Target stores located in Canada.

Gross margin in the valuation and appraisal segment for services and fees decreased to 55.6% of revenues during the six months ended June 30, 2016, as compared to 57.4% of revenues during the six months ended June 30, 2015. The decrease in the gross margin is primarily to due to the impact on the margins from the increase in payroll and related expenses incurred in 2016 as compared to the same period in 2015.

Selling, General and Administrative Expenses. Selling, general and administrative expenses during the six months ended June 30, 2016 and 2015 were comprised of the following:

Selling, General and Administrative Expenses

	Six Months Ended June 30, 2016		Six Months Ended June 30, 2015		Change	
	Amount	%	Amount	%	Amount	%
Capital Markets segment	$13,887	53.2 %	$16,174	49.1 %	$(2,287)	-14.1%
Auction and Liquidation segment	2,880	11.0 %	6,567	19.8 %	(3,687)	-56.1%
Valuation and Appraisal segment	4,296	16.4 %	4,503	13.7 %	(207)	-4.6 %
Corporate and Other segment	5,054	19.4 %	5,729	17.4 %	(675)	-11.8%
Total selling, general & administrative expenses	$26,117	100.0%	$32,973	100.0%	$(6,856)	-20.8%

Total selling, general and administrative expenses decreased $6.9 million, or 20.8%, to $26.1 million during the six months ended June 30, 2016 from $33.0 million for the six months ended June 30, 2015. The decrease was primarily due to a decrease in selling, general and administrative expenses of (a) $2.3 million in the capital markets segment, (b) $3.7 million in the auction and liquidation segment, (c) $0.2 million in the valuation and appraisal segment, and (d) $0.7 million in corporate and other.

Selling, general and administrative expenses in the capital markets segment decreased $2.3 million, or 14.1%, to $13.9 million during the six months ended June 30, 2016 from $16.2 million for the six months ended June 30, 2015. The decrease in operating expenses of $2.3 million was primarily due to a decrease in incentive compensation as a result of the decrease in revenues from investment banking fees in 2016 as compared to the same period in 2015 discussed above.

Selling, general and administrative expenses in the auction and liquidation segment decreased $3.7 million, or 56.1%, to $2.9 million during the six months ended June 30, 2016 from $6.6 million for the six months ended June 30, 2015. The decrease was primarily due to a decrease in (a) consulting and professional fees of $2.0 million, (b) other operating expenses of $1.0 million, and (c) incentive compensation and other payroll related expenses of $0.7 during the six months ended June 30, 2016 as compared to the same period in 2015. The decrease in consulting and professional fees and incentive compensation and other payroll related expenses was primarily due to the decrease in income in the auction and liquidation segment during the six months ended June 30, 2016 as compared to the same

period in 2015.

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Selling, general and administrative expenses in the valuation and appraisal segment decreased $0.2 million, or 4.6%, to $4.3 million during the six months ended June 30, 2016 from $4.5 million for the six months ended June 30, 2015. The decrease in operating expenses of $0.2 million was primarily due to a decrease in payroll and related expenses in 2016 as compared to the same period in 2015.

Selling, general and administrative expenses for corporate and other decreased $0.7 million, or 11.8%, to $5.0 million during the six months ended June 30, 2016 from $5.7 million for the six months ended June 30, 2015. The decrease was primarily due to a decrease in payroll and related expenses of $1.7 million and other corporate expenses of $0.2 million during the six months ended June 30, 2016, offset by an increase in professional fees and other transaction costs of $1.2 million primarily related the acquisition of United Online, Inc. which was acquired on July 1, 2016.

Other Income (Expense). Other income includes interest income that was less than $0.1 million during each of the six month periods ended June 30, 2016 and 2015. Other expense also includes interest expense which decreased $0.3 million, to $0.4 million during the six months ended June 30, 2016 from $0.7 million for the six months ended June 30, 2015. The decrease in interest expense in 2016 was primarily due to a decrease in interest expense we incurred on our asset based credit facility since we had fewer borrowings outstanding during the six months ended June 30, 2016 as compared to the same period in 2015.

Income Before Income Taxes. Income before income taxes was $1.4 million during the six months ended June 30, 2016, a decrease of $18.1 million, from $19.5 million during the six months ended June 30, 2015. The decrease in income before income taxes was primarily due to a decrease in operating income of (a) $7.8 million in our capital markets segment, and (b) $11.1 million in our auction and liquidation segment, offset by a decrease in corporate overhead and other expenses of $0.7 million.

Provision For Income Taxes. Provision for income taxes was $0.1 million during the six months ended June 30, 2016, a decrease of $7.4 million, from $7.5 million during the six months ended June 30, 2015. The effective income tax rate was 7.0% during the six months ended June 30, 2016 compared to an effective income tax rate of 38.3% for the six months ended June 30, 2015. The effective income tax rate during the six months ended June 30, 2016 differs from the statutory rate of 34% was primarily due to the tax differential on net income attributable to noncontrolling interests.

Net Income Attributable to Noncontrolling Interest. Net income attributable to noncontrolling interests represents the proportionate share of net income generated by Great American Global Partners, LLC, in which the Company has a 50% membership interest, that we do not own. The net income attributable to noncontrolling interests was $1.2 million during the six months ended June 30, 2016 compared to net income attributable to noncontrolling interests of $0.7 million during the six months ended June 30, 2015.

Net Income Attributable to the Company. Net income attributable to the Company for the six months ended June 30, 2016 was $0.1 million, a decrease of $11.2 million, from net income attributable to the Company of $11.3 million for the six months ended June 30, 2015. The decrease in net income during the six months ended June 30, 2016 as compared to the same period in 2015 was primarily due to the decrease in operating income in the capital markets segment and the auction and liquidation segment as discussed above.

Liquidity and Capital Resources

Our operations are funded through a combination of existing cash on hand, cash generated from operations, proceeds from the private placement of common stock, borrowings under our asset based credit facility and special purposes financing arrangements. During the six months ended June 30, 2016 we generated net income of $0.1 and during the year ended December 31, 2015 we generated net income of $11.8 million. Our cash flows and profitability are impacted by the number and size of retail liquidation and capital markets engagements performed on a quarterly and annual basis.

As of June 30, 2016, we had $48.1 million of unrestricted cash, $12.1 million of restricted cash, net investments in securities of $18.7 million, and no borrowings outstanding under our credit facilities. We believe that our current cash and cash equivalents, funds available under our asset based credit facility and cash expected to be generated from operating activities will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months. We continue to monitor our financial performance to ensure sufficient liquidity to fund operations and execute on our business plan.

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From time to time, we may decide to pay dividends which will be dependent upon our financial condition and results of operations. During the year ended December 31, 2015, we paid cash dividends of $5.2 million on our common stock. Our Board of Directors may reduce or discontinue the payment of dividends at any time for any reason it deems relevant. The declaration and payment of any future dividends or repurchases of our common stock will be made at the discretion of our Board of Directors and will be dependent upon our financial condition, results of operations, cash flows, capital expenditures, and other factors that may be deemed relevant by our Board of Directors.

Cash Flow Summary

	Six Months Ended June 30,	
	2016	2015
	(Dollars in thousands)	
Net cash provided by (used in):		
Operating activities	$10,315	$36,816
Investing activities	(12,084)	4,537
Financing activities	19,796	(20,834)
Effect of foreign currecy on cash	84	9
Net decrease in cash and cash equivalents	$18,111	$20,528

Cash provided by operating activities was $10.3 million for the six months ended June 30, 2016, a decrease of $26.5 million, from cash provided by operating activities of $36.8 million for the six months ended June 30, 2015. Cash provided by operating activities for the six months ended June 30, 2016 includes net income of $0.1 million adjusted for noncash items and changes in operating assets and liabilities. The decrease in cash used in operating activities of $26.5 million was primarily due to (a) a decrease in net income to $11.8 million during the six months ended June 30, 2016, compared to net income of $0.1 million during the comparable period in 2015, (b) a decrease in non-cash charges and other items of $5.1 million, and (c) changes in operating assets and liabilities that generated a decrease of $10.2 million in cash flows from operations during the six months ended June 30, 2016 as compared to the same period in 2015.

Cash used in investing activities was $12.1 million for the six months ended June 30, 2016 compared to cash provided by investing activities of $4.5 million for the six months ended June 30, 2015. During the six months ended June 30, 2016, cash used in investing activities was primarily comprised of (a) an increase in restricted cash of $12.0 million and $0.1 million of cash used to purchase property and equipment. During the six months ended June 30, 2015, cash provided by investing activities was primarily comprised of (a) a decrease in restricted cash of $7.2 million, (b) $2.5 million of cash used in connection with the acquisition of MK Capital Advisors, LLC (“MK Capital”), a wealth management business with operations primarily in New York, in February 2015, and (c) $0.2 million of cash used to purchase property and equipment.

Cash provided by financing activities was $19.8 million during the six months ended June 30, 2016 compared to cash used in financing activities of $20.8 million during the six months ended June 30, 2015. During the six months ended June 30, 2016, cash provided by financing activities primarily consisted of (a) $22.8 million of net proceeds from the issuance of common stock in May 2016, (b) $1.3 million payment of contingent consideration in connection with the acquisition of MK Capital, (c) $0.3 million used to repay a revolving line of credit, and (d) $1.4 million of distributions to noncontrolling interests. During the six months ended June 30, 2015, cash used in financing activities consisted of (a) $18.5 million used to repay borrowings outstanding in 2015 on our asset based credit facility, (b) $1.4 million of distributions to noncontrolling interests, and (c) $1.0 million of dividends paid on our common stock, offset by proceeds from borrowings of $0.1 million under our revolving line of credit.

Contingent Consideration

In connection with the acquisition of MK Capital on February 2, 2015 for a total purchase price of $9.4 million, at closing $2.5 million of the purchase price was paid in cash and 333,333 newly issued shares of the Company's common stock with a fair value of $2.7 million were issued to the former members of MK Capital. The purchase agreement also requires the payment of contingent consideration in the form of future cash payments with a fair value of $2.2 million and the issuance of shares of common stock with a fair value of $2.0 million. The contingent cash consideration of $2.2 million payable to the former members of MK Capital represents the fair value of the contingent cash consideration of $1.25 million due on the first anniversary date of the closing (February 2, 2016) and a final cash payment of $1.25 million due on the second anniversary date of the closing (February 2, 2017), with imputed interest expense calculated at 8% per annum. The contingent stock consideration of $2.0 million is comprised of the issuance of 166,667 shares of common stock on the first anniversary date of the closing (February 2, 2016) and 166,666 shares of common stock on the second anniversary date of the closing (February 2, 2017). The contingent cash and stock consideration is payable on the first and second anniversary dates of the closing provided that MK Capital generates a minimum amount of gross revenues as defined in the purchase agreement for the twelve months following the first and second anniversary dates of the closing. MK Capital achieved the minimum amount of revenues for the first anniversary period and the contingent cash consideration for such first anniversary period of $1.25 million was paid and contingent stock consideration for such first anniversary period of 166,667 common shares was issued to the former members of MK Capital on February 2, 2016.

Credit Agreements

From time to time, we utilize our asset based credit facility with Wells Fargo Bank, National Association to fund costs and expenses incurred in connection with liquidation engagements. We also utilize this credit facility in order to issue letters of credit in connection with liquidation engagements conducted on a guaranteed basis. Subject to certain limitations and offsets, we are permitted to borrow up to $100.0 million under the credit facility, less the aggregate principal amount borrowed under the UK Credit Agreement (if in effect), and the maturity date has been extended from July 16, 2013 to July 15, 2018. Borrowings under the credit facility are only made at the discretion of the lender and are generally required to be repaid within 180 days. The interest rate for each revolving credit advance under the related credit agreement is, subject to certain terms and conditions, equal to the LIBOR plus a margin of 2.25% to 3.25% depending on the type of advance and the percentage such advance represents of the related transaction for which such advance is provided. On March 19, 2014, the Company entered into a separate credit agreement (a "UK Credit Agreement") with an affiliate of Wells Fargo Bank, National Association which provides for the financing of transactions in the United Kingdom. The facility allows the Company to borrow up to 50 million British Pounds. Any borrowings on the UK Credit Agreement reduce the availability on the asset based $100.0 million credit facility. The UK Credit Agreement is cross collateralized and integrated in certain respects with the credit agreement governing the credit facility. The credit facility is secured by the proceeds received for services rendered in connection with the liquidation service contracts pursuant to which any outstanding loan or letters of credit are issued and the assets that are sold at liquidation related to such contract, if any. The credit facility also provides for success fees in the amount of 5% to 20% of the net profits, if any, earned on liquidation engagements that are financed under the credit facility as set forth in the related credit agreement. We typically seek borrowings on an engagement-by-engagement basis. The credit agreement governing the credit facility contains certain covenants, including covenants that limit or restrict the Company's ability to incur liens, incur indebtedness, make investments, dispose of assets, make certain restricted payments, merge or consolidate and enter into certain transactions with affiliates. At June 30, 2016, there was $11,896 of standby letters of credit issued and outstanding under the credit facility. There were no borrowings outstanding under this credit facility at June 30, 2016 and December 31, 2015.

Accounts Receivable Line of Credit

On May 17, 2011, one of our majority owned subsidiaries entered into an Accounts Receivable Line of Credit with a finance company. Proceeds from the Accounts Receivable Line of Credit were used to pay off borrowings under the factoring agreement. The Accounts Receivable Line of Credit was collateralized by the accounts receivable of our majority owned subsidiary and allowed for borrowings in the amount of 85% of the net face amount of prime accounts, as defined in the loan and security agreement governing the Accounts Receivable Line of Credit, with maximum borrowings not to exceed $2.0 million. The interest rate under the Accounts Receivable Line of Credit was the prime rate plus 2%, payable monthly in arrears. The Accounts Receivable Line of Credit was amended effective February 3, 2012 and the maximum borrowings allowed increased from $2.0 million to $3.0 million. In connection with the Accounts Receivable Line of Credit, Great American Group, LLC entered into a limited continuing guaranty of our majority owned subsidiary's obligations under the Accounts Receivable Line of Credit. Borrowings outstanding under the Accounts Receivable Line of Credit were $0.3 million at December 31, 2015. On December 7, 2015, the Company notified the finance company to terminate the Accounts Receivable Line of Credit, all outstanding amounts

under the Accounts Receivable Line of Credit were repaid on January 27, 2016 and the Accounts Receivable Line of Credit was terminated upon maturity on February 3, 2016.

Other Borrowings

In March 2015, we had capital deployed for three retail liquidation engagements. On March 10, 2015, the Company borrowed $4.5 million from Riley Investment Partners, L.P. (“RIP”) in accordance with RIP Note. The principal amount of $4.5 million for the RIP Note accrued interest at the rate of 10% per annum (or 15% in the event of a default under the RIP Note). The borrowings were for short-term working capital needs and capital for other retail liquidation engagements. RIP was also entitled to the Success Fee of 20% of the net profit, if any, earned by the Company in connection with a designated liquidation transaction. Pursuant to the terms of the RIP Note, under no circumstances was the Company obligated to pay to RIP any portion of the combined amount of interest and the Success Fee which exceeded twelve percent (12%) of the $4.5 million principal amount of the RIP Note. The outstanding principal amount, together with the accrued and unpaid interest and the Success Fee, were due and payable by the Company on March 9, 2016. The RIP Note was subordinated in certain respects to the Company’s guaranty relating to its existing credit facility with Wells Fargo Bank, National Association and, in the event of certain insolvency proceedings, with respect to such credit facility itself, as well as to any other indebtedness of the Company to the extent required by the documents governing the repayment thereof. The RIP Note was repaid on May 4, 2015.

Riley Investment Management LLC, a wholly owned subsidiary of the Company, is the general partner of RIP. Bryant Riley, the Chief Executive Officer and Chairman of the Board of Directors of the Company, owns or controls approximately 45% of the equity interests of RIP. In addition, Thomas Kelleher, the President and a director of the Company, and one other employee of the Company, own or control de minimis amounts of the equity interests of RIP. After considering the economic interests of Mr. Riley and Mr. Kelleher in the RIP Note and comparing the terms of the RIP Note to terms that may have been available from unaffiliated third parties, the disinterested members of the Company's Board of Directors unanimously approved the issuance of the RIP Note.

Off Balance Sheet Arrangements

We have no obligations, assets or liabilities which would be considered off-balance sheet arrangements and do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, established for the purpose of facilitating off-balance sheet arrangements. We have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

New Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02: Leases (Topic 842) ("ASU 2016-02"). The amendments in this update require lessees, among other things, to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous authoritative guidance. This update also introduces new disclosure requirements for leasing arrangements. ASU 2016-02 will be effective for the Company in fiscal year 2019, but early application is permitted. The Company is currently evaluating the impact of this update on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which amends revenue recognition requirements for multiple deliverable revenue arrangements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The amendments should be applied retrospectively. In July 2015, the FASB approved a one-year deferral of the effective date with early adoption permitted. The Company has not yet adopted this update and is currently evaluating the impact it may have on its financial condition and results of operations.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). The amendments in this update do not change the core principle of the guidance as noted above at ASU No. 2014-09. The amendments clarify the implementation guidance on principal versus agent considerations. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU No. 2014-09. The Company has not yet adopted this update and is currently evaluating the impact it may have on its financial condition and results of operations.

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this update involve simplification in several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in this update require both prospective and retrospective application with earlier application permitted as of the beginning of an interim or annual reporting period. The Company has not yet adopted this update and is currently evaluating the impact it may have on its financial condition and results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation required by the Securities Exchange Act of 1934, as amended (the “Exchange Act”), under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of our fiscal quarter ended June 30, 2016. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2016.

Changes in Internal Control over Financial Reporting

There have been no changes to our internal control over financial reporting during the fiscal quarter covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitation on Effectiveness of Controls

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. These limitations include the possibility of human error, the circumvention or overriding of the controls and procedures and reasonable resource constraints. In addition, because we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, our system of controls may not

achieve its desired purpose under all possible future conditions. Accordingly, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives.

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in litigation which arises in the normal course of our business operations. Except as set forth below, we believe that we are not currently a party to any proceedings the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on our financial position or results of operations:

On January 19, 2015, a complaint (the “Complaint”) was filed against Great American Group, LLC, in the United States Bankruptcy Court for the District of Delaware (“Court”), adversary proceeding 15-50057 (MFW), by 9586 LLC asserting claims arising out of the Great American Group, LLC’s activities with respect to an auction of equipment in Colorado in October 2012. This proceeding is pending in the bankruptcy cases of Abound Solar Manufacturing, LLC and certain of its affiliates (the “Debtors”), case no. 12-11974. The Complaint asserts claims for breach of contract, negligence, fraud, unjust enrichment, negligent misrepresentation, nuisance, and violations of the Colorado Consumer Protection Act (“CCPA”). In the Complaint, the plaintiff, a former landlord of the Debtors, generally alleges that Great American Group, LLC and a joint venture partner were responsible for contamination while performing services in connection with an auction of solar machinery, and is seeking approximately $9.7 million in damages. In April 2015, Great American Group, LLC filed a Motion to Dismiss the Complaint. On March 1, 2016, the Court issued its Opinion on Great American Group, LLC’s Motion to Dismiss dismissing the unjust enrichment claim and the CCPA claim, but denied the motion with respect to the other claims. In April 2016, the Company filed an answer with the court denying the allegations in the complaint. We intend to continue to vigorously defend this action which we consider to be meritless. An adverse judgment in this matter could materially and adversely affect the Company and its financial condition.

Item 1A. Risk Factors

There are certain risks and uncertainties in our business that could cause our actual results to differ materially from those anticipated. A detailed discussion of our risk factors was included in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on March 28, 2016. These risk factors should be read carefully in connection with evaluating our business and in connection with the forward-looking statements and other information contained in this Quarterly Report on Form 10-Q. Any of the risks described in the Annual Report on Form 10-K for the year ended December 31, 2015 could materially affect our business, financial condition or future results and the actual outcome of matters as to which forward-looking statements are made. There were no material changes to the risk factors during the three months ended June 30, 2016, compared to the risk factors set forth in the Annual Report on Form 10-K for the year ended December 31, 2015, other than with respect to the risk factors described below.

Risks Related to the Acquisition of United Online, Inc. ("UOL") and to our Business Following the UOL Acquisition

We may experience difficulties in realizing the expected benefits of the UOL Acquisition.

Our ability to achieve the benefits we anticipate from the UOL Acquisition will depend in large part upon whether we are able to achieve expected cost savings, manage UOL's business and execute our strategy in an efficient and effective manner. Because our business and the business of UOL differ, we may not be able to manage UOL's business smoothly or successfully and the process of achieving expected cost savings may take longer than expected. If we are unable to successfully manage the operations of UOL's business, we may be unable to realize the cost savings and other anticipated benefits we expect to achieve as a result of the UOL acquisition. As a result, our business and results of operations could be adversely affected and the market price of our common stock could be negatively impacted.

The UOL Acquisition may cause disruptions in UOL's business, which could have an adverse effect on our business, financial condition or results of operations following completion of the acquisition.

The UOL Acquisition could cause disruptions in the business of UOL. Specifically:

- current and prospective employees of UOL may experience uncertainty about their future roles with B. Riley, which might adversely affect the ability of UOL to retain key personnel and attract new personnel;
- current and prospective customers of UOL may experience uncertainty about the ability of UOL to meet their needs, which might cause customers to seek other suppliers for the products and services provided by UOL; and
- management's attention may be focused on the acquisition, which may divert management's attention from the core business of UOL and other opportunities that could have been beneficial to UOL.

This could have an adverse effect on our business, financial condition or results of operations.

UOL may have liabilities that are not known, probable or estimable at this time.

As a result of the UOL Acquisition, UOL became our subsidiary. There could be unasserted claims or assessments that we failed or were unable to discover or identify in the course of performing due diligence investigations of UOL. In addition, there may be liabilities that are neither probable nor estimable at this time which may become probable and estimable in the future. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business and our prospects. We may learn additional information about UOL that adversely affects us, such as unknown, unasserted or contingent liabilities and issues relating to compliance with applicable laws.

If we acquire businesses or technologies or pursue other strategic transactions in the future, these transactions could disrupt our business and harm our operating results and financial condition.

We will evaluate opportunities to acquire businesses or technologies or pursue other strategic transactions. Acquisitions and other strategic transactions entail a number of risks that could adversely affect our business and operating results, including, among others:

- difficulties in integrating the operations, technologies or products of acquired companies or working with third parties with which we may partner on strategic relationships;
- the diversion of management’s time and attention from the normal daily operations of the business;
- insufficient increases in net sales to offset increased expenses associated with such acquisitions or strategic transactions;
- difficulties in retaining business relationships with suppliers and customers;
- over-estimation of potential synergies or a delay in realizing those synergies;
- entering markets in which we have no or limited experience and in which competitors have stronger market positions; and
- the potential loss of key employees of our or any acquired companies.

Future acquisitions or other strategic transactions also could cause us to incur debt or be subject to contingent liabilities. In addition, acquisitions or other strategic transactions could cause us to issue equity or debt securities that could dilute the ownership interests of our existing stockholders or increase our leverage relative to our earnings or to our equity capitalization. Furthermore, acquisitions or other strategic transactions may result in material charges or adverse tax consequences, substantial depreciation, deferred compensation charges, the amortization of amounts related to deferred stock-based compensation expense and identifiable purchased intangible assets or impairment of goodwill, any or all of which could negatively affect our results of operations.

UOL competes against large companies, many of whom have significantly more financial and marketing resources, and our business will suffer if we are unable to compete successfully.

UOL competes with numerous providers of broadband, mobile broadband and DSL services, as well as other dial-up Internet access providers, many of whom are large and have significantly more financial and marketing resources. The principal competitors for UOL's mobile broadband and DSL services include, among others, local exchange carriers, wireless and satellite service providers, and cable service providers. These competitors include established providers such as AT&T, Verizon, Sprint, and T-Mobile. UOL's principal dial-up Internet access competitors include established online service and content providers, such as AOL and MSN, and independent national Internet service providers, such as EarthLink and its PeoplePC subsidiary. Dial-up Internet access services do not compete favorably with broadband services with respect to connection speed and do not have a significant, if any, price advantage over certain broadband services. In addition, there are a number of mobile virtual network operators, some of which focus on pricing as their main selling point. Certain portions of the U.S., primarily rural areas, currently have limited or no access to broadband services. However, the U.S. government has indicated its intention to facilitate the provision of broadband services to such areas. Such expansion of the availability of broadband services will increase the competition for Internet access subscribers in such areas and will likely adversely affect the UOL business. In addition to competition from broadband, mobile broadband, and DSL providers, competition among dial-up Internet access service providers is intense and neither UOL's pricing nor the features of UOL's services provides us with a significant competitive advantage, if any, over certain of UOL's dial-up Internet access competitors. We expect that competition, particularly with respect to price, for broadband, mobile broadband, and DSL services, as well as dial-up Internet access services, will continue and may materially and adversely impact our business, financial condition, results of operations, and cash flows.

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Dial-up and DSL pay accounts may decline faster than expected and adversely impact our business.

A significant portion of UOL's current communications segment revenues and profits come from dial-up Internet and DSL access services and related services and advertising revenues. UOL's dial-up and DSL Internet access pay accounts and revenues have been declining and are expected to continue to decline due to the continued maturation of the market for dial-up and DSL Internet access, competitive pressures in the industry and limited sales efforts. Consumers continue to migrate to broadband access, primarily due to the faster connection and download speeds provided by broadband access. Advanced applications such as online gaming, music downloads and videos require greater bandwidth for optimal performance, which adds to the demand for broadband access. The pricing for basic broadband services has been declining as well, making it a more viable option for consumers. In addition, the popularity of accessing the Internet through tablets and mobile devices has been growing and may accelerate the migration of consumers away from dial-up Internet access. The number of dial-up Internet access pay accounts has been adversely impacted by both a decrease in the number of new pay accounts signing up for UOL's services, as well as the impact of subscribers canceling their accounts, which we refer to as "churn." Churn has increased from time to time and may increase in the future. If we experience a higher than expected level of churn, it will make it more difficult for us to increase or maintain the number of pay accounts, which could adversely affect our business, financial condition, results of operations, and cash flows.

We expect UOL's dial-up and DSL Internet access pay accounts to continue to decline. As a result, related services revenues and the profitability of this segment may decline. The rate of decline in these revenues may continue to accelerate.

We may not be able to consistently make a high level of expense reductions in the future. Continued declines in revenues relating to the UOL business, particularly if such declines accelerate, will materially and adversely impact the profitability of this business.

Government regulations could adversely affect our business or force us to change our business practices.

The services that are provided by UOL are subject to varying degrees of federal, state and local regulation. UOL resells broadband Internet access services offered by other parties pursuant to wholesale agreements with those providers. In an order released in March 2015, the Federal Communications Commission (the "FCC") classified retail broadband Internet access services as telecommunications services subject to regulation under Title II of the Communications Act. That ruling is subject to a pending appeal. The classification of retail broadband Internet access services as telecommunications services means that providers of these services are subject to the general requirement that their charges, practices and classifications for telecommunications services be "just and reasonable," and that they refrain from engaging in any "unjust or unreasonable discrimination" with respect to their charges, practices or classifications. However, the FCC has not determined what, if any, regulations will apply to wholesale broadband

Internet access services, and it is uncertain whether it will adopt requirements that will be favorable or unfavorable to us. It is also possible that the classification of retail broadband Internet access services will be overturned on appeal, that Congress will adopt legislation reversing that decision, or that a future FCC will reverse that decision.

Broadband Internet access is also currently classified as an "information service." While current policy exempts broadband Internet access services (but not all broadband services) from contributing to the Universal Service Fund ("USF"), Congress and the FCC may consider expanding the USF contribution base to include broadband Internet access services. If broadband Internet access providers become subject to USF contribution obligations, they would likely impose a USF surcharge on end users. Such a surcharge will raise the effective cost of our broadband services to UOL's customers, which could adversely affect customer satisfaction and have an adverse impact on our revenues and profitability.

Failure to make proper payments for federal USF contributions, FCC regulatory fees or other amounts mandated by federal and state regulations; failure to maintain proper state tariffs and certifications; failure to comply with federal, state or local laws and regulations; failure to obtain and maintain required licenses, franchises and permits; imposition of burdensome license, franchise or permit requirements for us to operate in public rights-of-way; and imposition of new burdensome or adverse regulatory requirements could limit the types of services we provide or the terms on which we provide these services.

We cannot predict the outcome of any ongoing legislative initiatives or administrative or judicial proceedings or their potential impact upon the communications and information technology industries generally or upon the UOL business specifically.

The FCC and some states require us to obtain prior approval of certain major merger and acquisition transactions, such as the acquisition of control of another telecommunications carrier. Delays in obtaining such approvals could affect our ability to close proposed transactions in a timely manner, and could increase our costs and increase the risk of non-consummation of some transactions.

Failure to increase or maintain the number of subscribers for UOL's services could have a negative impact on advertising revenues and profitability.

UOL's services currently generate advertising revenues from search placements, display advertisements and online market research associated with Internet access and email services. Our successful operation and management of UOL, including the ability to generate advertising revenues for UOL's services, will depend in part upon our ability to increase or maintain the number of subscribers for UOL's services. A decline in the number of subscribers using UOL's services could result in decreased advertising revenues, and decreases in advertising revenues would adversely impact our profitability. The failure to increase or maintain the number of subscribers for UOL's services could have a material adverse effect on advertising revenues and our profitability.

Interruption or failure of the network, information systems or other technologies essential to the UOL business could impair our ability to provide services relating to the UOL business, which could damage our reputation and harm our operating results.

Our successful operation of the UOL business depends on our ability to provide reliable service. Many of UOL's products are supported by data centers. UOL's network, data centers, central offices and those of UOL's third-party service providers are vulnerable to damage or interruption from fires, earthquakes, hurricanes, tornados, floods and other natural disasters, terrorist attacks, power loss, capacity limitations, telecommunications failures, software and hardware defects or malfunctions, break ins, sabotage and vandalism, human error and other disruptions that are beyond our control. Some of the systems serving the UOL business are not fully redundant, and our disaster recovery or business continuity planning may not be adequate. The UOL business could also experience interruptions due to cable damage, theft of equipment, power outages, inclement weather and service failures of third-party service providers. The occurrence of any disruption or system failure or other significant disruption to business continuity may result in a loss of business, increase expenses, damage to reputation for providing reliable service, subject us to additional regulatory scrutiny or expose us to litigation and possible financial losses, any of which could adversely affect our business, results of operations and cash flows.

We may be accused of infringing upon the intellectual property rights of third parties, which is costly to defend and could limit our ability to use certain technologies in the future.

From time to time third parties have alleged that UOL infringes on their intellectual property rights, including patent rights. We may be unaware of filed patent applications and of issued patents that could be related to the products and services we acquired in the UOL Acquisition. These claims are often made by patent holding companies that are not operating companies. The alleging parties generally seek royalty payments for prior use as well as future royalty streams. Defending against disputes, litigation or other legal proceedings, whether or not meritorious, may involve significant expense and diversion of management's attention and resources from other matters. Due to the inherent

uncertainties of litigation, we may not prevail in these actions. Both the costs of defending lawsuits and any settlements or judgments against us could adversely affect our results of operations and cash flows.

We may be unable to hire and retain sufficient qualified personnel, and the loss of any personnel could adversely affect us.

Our ability to successfully operate the UOL business depends on the ability to hire and retain, as needed, key personnel, many of whom have significant experience in UOL's industry and whose expertise is required to successfully manage and operate the UOL business. There is substantial and continuous competition for highly skilled personnel. Workforce reductions, the UOL Acquisition and any future acquisitions may affect our ability to retain or replace key personnel for the UOL business, harm employee morale and productivity or disrupt our business. Key personnel in the UOL business may depart because of issues relating to uncertainty or a desire not to remain with us following a workforce reduction, change in business strategy or acquisition. Finally, the loss of any of key personnel in the UOL business could impair our ability to execute our business strategy or otherwise have a material adverse effect on us.

If there are events or circumstances affecting the reliability or security of the Internet, access to the websites related to the UOL business and/or the ability to safeguard confidential information could be impaired causing a negative effect on the financial results of our business operations.

Despite the implementation of security measures, our website infrastructure and the website infrastructure of UOL may be vulnerable to computer viruses, hacking or similar disruptive problems caused by customers, other Internet users, other connected Internet sites, and the interconnecting telecommunications networks. Such problems caused by third-parties could lead to interruptions, delays or cessation of service to the customers of the UOL products and services. Inappropriate use of the Internet by third-parties could also potentially jeopardize the security of confidential information stored in our computer system, which may deter individuals from becoming customers. Although UOL has implemented security measures and we will maintain and supplement these measures, there can be no assurance that any such measures would not be circumvented in future. Dealing with problems caused by computer viruses or other inappropriate uses or security breaches may require interruptions, delays or cessation of service to customers, which could have a material adverse effect on our business, financial condition and results of operations.

The UOL business processes, stores and uses personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business.

The UOL business receives, stores and processes personal information and other customer data, and UOL enables customers to share their personal information with each other and with third parties. There are numerous federal, state and local laws around the world regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other customer data, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. We will generally comply with industry standards and are and will be subject to the terms of privacy policies and privacy-related obligations to third parties. We will strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection, to the extent possible. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or UOL’s practices. Any failure or perceived failure to comply with UOL’s privacy policies, privacy-related obligations to customers or other third parties, or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause customers to lose trust in us, which could have an adverse effect on our business. Additionally, if third parties we work with, such as customers, vendors or developers, violate applicable laws or policies, such violations may also put our customers’ information at risk and could in turn have an adverse effect on our business.

Our ability to utilize UOL’s net operating loss and tax credit carryforwards in the future is subject to substantial limitations and may be further limited as a result of the UOL Acquisition.

For U.S. federal income tax purposes, certain ownership changes can limit a corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income. As a result of the UOL Acquisition, such limitations will apply to our ability to utilize UOL’s net operating loss and tax credit carryforwards. These and other similar applicable limitations could result in increased future tax payments for us, which could have a material adverse effect on our business, financial condition or results of operations.

Litigation may distract us from operating our business.

Litigation that may be brought by or against us could cause us to incur significant expenditures and distract our management from the operation of our business, including UOL’s business. Furthermore, there can be no assurance that we would prevail in such litigation or resolve such litigation on terms favorable to us, which may adversely affect our financial results and operations.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report are listed in the index to exhibits immediately preceding such exhibits, which index to exhibits is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

B. Riley Financial, Inc.

Date: August 5, 2016 By:/s/ PHILLIP J. AHN
Name: Phillip J. Ahn
Title: Chief Financial Officer and Chief Operating Officer
(Principal Financial Officer)

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Exhibit Index

Exhibit No.	**Description**
2.1 (1)	Agreement and Plan of Merger, dated as of May 4, 2016, by and among B. Riley Financial, Inc., Unify Merger Sub, Inc., and United Online, Inc.+
10.1*	Fifth Amendment to Credit Agreement, dated June 10, 2016, by and among Great American Group WF, LLC, GA Retail, Inc. and Wells Fargo Bank, National Association
31.1*	Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
31.2*	Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
32.1*†	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*†	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

+ Schedules and exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

* Filed herewith.

† These exhibits are being "furnished" and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

(1) Incorporated by reference to the registrant's Current Report on Form 8-K filed with the SEC on May 5, 2016.

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