

<b>Subject: Audit Committee Charter</b>	<b>Date Issued:</b> September 30, 2009 <b>Date Amended:</b> November 6, 2014 <b>Date Amended:</b> February 16, 2017
<b>Approved by:</b> Board of Directors <b>Date:</b> February 16, 2017	<b>Distribution:</b>

## PURPOSE

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of B. Riley Financial, Inc., a Delaware corporation (the “Company”), is to assist the Board in fulfilling its responsibility to oversee the quality and integrity of the accounting and financial reporting for the Company and audits of the Company’s financial statements by the registered public accounting firm employed by the Company for the audit of such financial statements (the “independent auditors”). The Committee’s principal functions are to:

- Assist the Board in its oversight of:
  - the integrity of the Company’s financial statements and the Company’s accounting and financial reporting processes and financial statement audits;
  - the qualifications, independence and performance of the independent auditors;
  - the performance of the Company’s internal audit function;
  - the Company’s compliance with certain other legal and regulatory requirements; and
  - the Company’s systems of disclosure controls and procedures and internal control over financial reporting.
- Prepare the report of the Committee required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual report on Form 10-K or the proxy statement for the Company’s annual meeting.

## MEMBERSHIP

The Committee shall be comprised of not less than three members of the Board. Members of the Committee shall be appointed by the Board and may be removed by the Board at its discretion. All members of the Committee shall meet the independence criteria and have the qualifications set forth in the listing standards of The Nasdaq Capital Market (“Nasdaq”) and Rule 10A-3 under the Securities Exchange Act of 1934 (the “Exchange Act”).

Accordingly, all of the members of the Committee shall be directors:

- Who do not accept any direct or indirect consulting, advisory or compensatory fee from the Company other than for board service or in respect of retirement or deferred compensation for prior service, who are not “affiliated persons” within the meaning of Rule 10A-3 under the Exchange Act and who otherwise satisfy the independence criteria set forth in the listing standards of Nasdaq; and
- Who are financially literate (i.e., have the ability to read and understand fundamental financial statements, as determined by the Board).

At least one member of the Committee shall qualify as an “audit committee financial expert” as defined in Instruction to Item 407(d)(5)(ii) and (iii) of Regulation S-K (which the Board may presume satisfies Nasdaq listing standard requiring that one member have accounting or related financial management expertise).

All members of the Committee will be appointed by, and will serve at the discretion of, the Board. The Board may appoint a member of the Committee to serve as the chairperson of the Committee (“Chair”); if the Board does not appoint a Chair, the Committee members may designate a Chair by their majority vote. The Chair will set the agenda for Committee meetings and conduct the proceedings of those meetings. The Committee may delegate any of its responsibilities to a subcommittee of its members when it deems appropriate.

Committee members shall not serve simultaneously on the audit committee of more than three other companies, unless the Board determines that such service will not impair the member’s ability to serve on the Committee.

## **DUTIES AND RESPONSIBILITIES**

The Committee’s responsibility is one of oversight. The Company’s management is responsible for preparing the Company’s financial statements and the independent auditors are responsible for auditing those financial statements.

To carry out its oversight responsibility, the Committee shall undertake the activities set forth below. These activities are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances. The Committee may engage in additional activities and establish further policies and procedures from time to time as it deems necessary or advisable in implementing this charter (“Charter”).

### Independent Auditors and Audit Process

- The Committee, subject to any action that may be taken by the Board, shall have the ultimate authority and responsibility to appoint, retain (or nominate for shareholder ratification), oversee, evaluate and, where appropriate, replace the independent auditors.
  - The independent auditors shall report directly to the Committee.

- The Committee shall evaluate at least annually the experience, qualifications and performance of the lead partner and the senior members of the independent auditors' engagement team.
- The Committee shall review and approve the scope of the audit services outlined in the independent auditors' annual engagement letter.
- The Committee shall review the scope of the annual audit outlined by the independent auditors and their proposed audit plan and procedures.
- The Committee shall review with the independent auditors any problems, difficulties or disputes the auditors may have encountered in the course of the audit work or otherwise, and any management letter provided by the auditors along with the Company's response to that letter.
- The Committee shall discuss with the independent auditors the matters required to be discussed by applicable auditing standards relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.
- The Committee shall discuss with the independent auditors any material issues on which the national office of the independent auditors was consulted by the Company's audit team.
- The Committee will, at least annually, obtain from and review a report by the independent auditors describing:
  - The independent auditors' internal quality-control procedures;
  - Any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditing firm, or by an inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditing firm;
  - Any steps taken to deal with any such issues; and
  - All relationships between the independent auditors and the Company.
- The Committee shall review any report of the independent auditors delivered pursuant to Section 10A(k) of the Exchange Act relating to:
  - Critical accounting policies and practices to be used;
  - Alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with

management, ramifications of the use of such alternative disclosure and treatments, and the treatment preferred by the independent auditors; and

- Other material written communications between the independent auditors and management, such as a management letter or schedule of unadjusted differences.
- The Committee shall:
  - Prior to initial engagement, request from a public accounting firm a formal written statement delineating all relationships between the auditors and the Company consistent with applicable requirements of the Public Company Accounting Oversight Board (“PCAOB”) regarding the independent auditors’ communications with the Committee concerning independence;
  - Request from the independent auditors annually a formal written statement delineating all relationships between the auditors and the Company and affirming the auditors’ independence consistent with applicable PCAOB requirements;
  - Discuss with the independent auditors any such disclosed relationships and their impact on the independent auditors’ independence and document the substance of such discussion;
  - Pre-approve all audit services and permissible non-audit services to be provided by the independent auditors in accordance with policies adopted by the Committee;
  - Ensure that the independent auditors do not perform any non-audit services that are prohibited by law or regulation;
  - Establish clear hiring policies for employees or former employees of the independent auditors; and
  - Ensure the rotation of the independent auditors’ lead and concurring audit partner every five years and other audit partners every seven years.

#### Financial Statements

- The Committee shall discuss with management and the independent auditors the annual audited financial statements to be included in the Annual Report on Form 10-K (or the Annual Report to Shareholders if distributed prior to the filing of Form 10-K) and the quarterly financial statements to be included in the Quarterly Reports on Form 10-Q, including the matters required to be communicated by the auditors pursuant to applicable audit standards, as well as the disclosures contained under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” prior to the Company’s filing of the Form 10-K and

Form 10-Q reports. The Committee shall determine whether to recommend inclusion of these financial statements in these reports.

- To the extent it deems necessary or appropriate, the Committee shall review and discuss with management earnings press releases, as well as Company policies with respect to earnings press releases, financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be general (relating to the type of information to be disclosed and the type of presentation to be made) rather than specific as to individual press releases or information provided to analysts or rating agencies.
- The Committee shall consider major changes and other major questions of choice respecting the appropriate accounting principles, estimates, judgments and practices to be applied in the preparation of the Company's financial statements.
- The Committee shall review material pending legal proceedings involving the Company and consider other contingent liabilities, as well as other risks and exposures, that may have a material impact on the financial statements.
- The Committee shall review the Company's policies with respect to risk assessment and risk management.
- The Committee shall review with management and the independent auditors the financial statement effects of pending regulatory and accounting initiatives.
- The Committee shall review the impact of off-balance sheet arrangements on the Company's financial statements.
- The Committee shall review any significant disputes between management and the independent auditors that arise in connection with the preparation of the Company's financial statements. The Committee shall review and discuss with management and the independent auditors any information regarding "second" opinions sought by management from any other accounting firm with respect to the accounting treatment of a particular event or transaction.

#### Internal Controls

- The Committee shall review and discuss with management and the independent auditors the Company's policies and procedures to fulfill its responsibilities regarding the fair and accurate presentation of financial statements in accordance with GAAP and applicable rules and regulations of the SEC and Nasdaq.
- The Committee shall consider the quality and adequacy of the Company's internal controls over financial reporting and, to the extent applicable, review the independent auditors' attestation with respect thereto.

- The Committee shall review the adequacy of the Company's internal audit function and shall approve the engagement of any outsourced service provider.
- The Committee shall review with the CEO and CFO the content of the certifications to be included in Form 10-K and Form 10-Q reports and certification process and related disclosures regarding disclosure controls and procedures and internal controls over financial reporting.
- The Committee shall obtain reports from management, the internal audit service provider and the independent auditors concerning the Company's compliance with applicable laws and regulations and compliance by directors, officers and employees with the Company's Code of Business Conduct and Ethics, and the Committee shall advise the Board with respect to policies and procedures regarding such compliance matters.
- The Committee shall have the responsibility to establish procedures as required by Section 10A(m)(4) of the Exchange Act for:
  - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
  - the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- The Committee shall review and approve all related party transactions in accordance with the Company's Code of Business Conduct and Ethics on day waiver requested thereto.
- The Committee shall be responsible for the overall administration of the Company's Code of Business Conduct and Ethics, including its interpretation and amendment.

The Committee shall report regularly to the Board and shall review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of the internal audit function.

## **MEETINGS**

The Committee shall meet as often as deemed necessary or appropriate in its judgment, generally at least four times each year, either in person or by phone. Any member of the Committee may call meetings of the Committee. The Committee shall meet with the independent auditors at least quarterly. The Committee shall meet on occasion with the independent auditors and internal audit staff outside the presence of senior management. The Committee shall report its recommendations to the Board after each Committee meeting.

Meetings may be held through use of a conference telephone or similar communications equipment, so long as all members attending such meeting can hear one another. A majority of the members of the Committee shall constitute a quorum, and the act of a majority of the quorum shall be the act of the Committee. The Committee may also act by written consent of all of the members of the Committee in accordance with applicable law.

The Committee shall also meet periodically in separate executive sessions with management (including key members of financial and risk management) and the independent auditors from time to time as they deem appropriate, and the members of the Committee may have additional direct and independent interaction with these persons as they deem appropriate. The Committee may request that any officer or employee of the Company or a representative from the Company's outside legal counsel or independent auditors attend any meeting of the Committee or meet with any members of, or consultants to, the Committee. Further, the Committee may request that any such officer, employee or representative provide any pertinent information to the Committee or to any other person or entity designated by the Committee.

## **PERFORMANCE EVALUATION**

The Committee shall prepare and provide to the Board an annual performance evaluation of the Committee, including an assessment of the performance of the Committee based on the duties and responsibilities set forth in this Charter and such other matters as the Committee may determine. The evaluation to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make the report, and shall be undertaken under the supervision of the Corporate Governance Committee in accordance with the Corporate Governance Guidelines adopted by the Board. The Committee shall review and assess the adequacy of the Charter annually and propose any necessary changes to the Corporate Governance Committee for review and ultimate recommendation for approval to the Board.

## **LIMITATION OF AUDIT COMMITTEE'S ROLE**

This charter ("Charter") sets forth the authority and responsibilities of the Committee in fulfilling its purpose and performing its principal functions. While the Committee has the oversight responsibility set forth in this Charter, it does not have the duty to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditors. In addition, the Committee recognizes that the Company's management, internal audit staff, and independent auditors devote more time to reviewing and analyzing the Company's business and operations and as a result, have more knowledge and detailed information concerning the Company than do members of the Committee. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the quality or adequacy of the independent auditors' work or performance.

Further, nothing contained in this Charter is intended to alter or impair (a) the operation of the "business judgment rule" as interpreted by the courts under the State of Delaware, or (b) the right of the members of this Committee to rely, in discharging their duties and

responsibilities, on the records of the Company and on other information presented to the Committee, the Board or the Company by its officers or employees or by outside experts and advisers, including the Company's independent auditors.

## **GENERAL**

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company. The Committee shall have the authority and sufficient funding to retain outside legal counsel, accountants or other experts as it determines necessary and appropriate to assist the Committee in carrying out its functions, without obtaining the approval of the Board or management.

If any term of this Charter conflicts with any term of the Company's Certificate of Incorporation or Bylaws, the terms of the Certificate of Incorporation or the Bylaws, as the case may be, shall control.

The Committee will maintain written minutes of its meetings and copies of its actions by written consent. The minutes and copies of written consents will be filed with the minutes of the meetings of the Board. The Chair will report to the Board from time to time with respect to the activities of the Committee, including on significant matters related to the Committee's responsibilities and the Committee's deliberations and actions.

This Charter will be made available on the Company's web site.