Risk Factors Comparison 2024-04-24 to 2023-03-16 Form: 10-K

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Given the nature of our operations and services we provide, and as described in more detail below, a wide range of factors could materially affect our operations and profitability. The risks and uncertainties described below are not the only risks and uncertainties facing us. Additional risks and uncertainties not presently known or that are currently considered to be immaterial may also materially and adversely affect our business operations or stock price. Summary Risk Factors Some of the factors that could materially and adversely affect our business, financial condition, results of operations and cash flows include, but are not limited to, the following: • Our revenues and results of operations are volatile and difficult to predict. • Conditions in the financial markets and general economic conditions, including increased inflation and a rising interest rate environment, have impacted and may continue to impact our ability to generate business and revenues, which may cause significant fluctuations in our stock price. • Our exposure to legal liability is significant and could lead to substantial damages **. • Events and developments arising out of our investment in Freedom VCM and our prior business relationship with Brian Kahn has had and may continue to have adverse effects on our business, results of operations, reputation, and stock price** . • Financial services firms have been subject to increased scrutiny over the last several years, increasing the risk of financial liability and reputational harm resulting from adverse regulatory actions. • **We have identified** ~~The restatement of our previously issued financial statements, the error that resulted in such restatement, the~~ material weaknesses ~~that were identified~~ in ~~our~~ internal control over financial reporting ~~and the determination that our internal control over financial reporting and disclosure controls and procedures were not effective, could result in loss of investor confidence, shareholder litigation or governmental proceedings or investigations, any of~~ which **exposes us to additional risks and uncertainties and** could cause the market value of our securities to decline or impact our ability to access the capital markets. • Our failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes- Oxley Act could have a material adverse effect on our financial condition, results of operations and business and the price of our common stock and other securities. • We may enter into new lines of business, make strategic investments or acquisitions or enter into joint ventures, each of which may result in additional risks and uncertainties for our business. • Our corporate finance and strategic advisory engagements are singular in nature and do not generally provide for subsequent engagements. • We have made and may make investments in relatively high- risk, illiquid assets that often have significantly leveraged capital structures, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amount we invest in these activities. • We are exposed to credit risk from a variety of our activities, including loans, lines of credit, guarantees and backstop commitments, and we may not be able to fully realize the value of the collateral securing certain of our loans ~~. • A substantial portion of our cash flows and net income are dependent upon payments from our investments in receivables~~ . • We may incur losses as a result of " guarantee " based engagements that we enter into in connection with our auction and liquidation solutions business. • We depend on financial institutions as primary clients for our financial consulting business. Consequently, the loss of any financial institutions as clients may have an adverse impact on our business. • Poor investment performance may decrease assets under management and reduce revenues from and the profitability of our asset management business. • Dial- up and DSL pay accounts may decline faster than expected and adversely impact our business. • ~~If we fail to innovate and develop new products in our consumer businesses in a timely and cost- effective manner for its new and existing product categories, our business and operating results could be adversely affected. •~~ Our consumer businesses purchase key components and products from a limited number of sources, and our business and operating results could be adversely affected if supply were delayed or constrained or if there were shortages of required components. • The failure of our licensees to sell products that generate royalties to us, to pay us royalties pursuant to their license agreements with us, or to renew these agreements could negatively affect our results of operations and financial condition. • **Significant disruptions** ~~We operate in highly competitive industries. Some~~ of **information technology systems, breaches of data security,** ~~our~~ - **or** ~~competitors may have certain competitive advantages~~ **unauthorized disclosures of sensitive data or personally identifiable information could adversely affect our business** , ~~which may cause~~ **and could subject** us to ~~be unable to effectively compete with or gain market share from our competitors. • Security breaches and other disruptions could compromise our information and expose us to~~ liability ~~, which would cause our~~ - **or** ~~business and reputation~~ **reputational damage** ~~to suffer. • We may be unsuccessful in protecting our proprietary rights or may have to defend ourselves against claims of infringement, which could impair or significantly affect our business~~ . • Anti- takeover provisions under our charter documents and Delaware law could delay or prevent a change of control and could also limit the market price of our stock. • Because of their significant stock ownership, some of our existing stockholders will be able to exert control over us and our significant corporate decisions. • Our common stock price may fluctuate substantially, and your investment could suffer a decline in value. • We may not pay dividends regularly or at all in the future. • Our level of indebtedness, and restrictions under such indebtedness, could adversely affect our operations and liquidity. • **The price** ~~An increase in market interest rates could result in a decrease in the value~~ of our ~~senior notes and increase~~ **securities may be adversely affected by third parties who raise allegations about** our **Company** ~~future borrowing costs~~ . Risks Related to Global and Economic Conditions and International Operations Our revenues and results of operations fluctuate significantly from quarter to quarter, due to a number of factors. These factors include, but are not limited to, the following: • Our ability to attract new clients and obtain additional business from our existing client base; • The number, size and timing of mergers and acquisition transactions, capital raising transactions and other strategic advisory services where we act as an adviser on our Auction and Liquidation and investment banking engagements; • The extent to which we acquire assets for resale, or guarantee a minimum return thereon, and our ability to resell those assets at favorable prices; • Variability in the mix of revenues from the Auction and Liquidation and Financial Consulting businesses; • The rate of decline we experience from our dial- up and DSL Internet access pay accounts in our UOL business as customers continue to migrate to broadband access which provides faster Internet connection and download speeds offered by our competitors; • The rate of growth of new service areas; • The types of fees we charge clients, or other financial arrangements we enter into with clients; and • Changes in general economic and market conditions, including increased inflation and rising interest rates. We have limited or no control over some of the factors set forth above and, as a result, may be unable to forecast our revenues accurately. For example, our investment banking revenues are typically earned upon the successful completion of a transaction, the timing of which is uncertain and beyond our control. A client' s acquisition transaction may be delayed or terminated because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or unexpected financial or other problems in the business of a client or a counterparty. If the parties fail to complete a transaction on which we are advising or an offering in which we are participating, we will earn little or no revenue from the contemplated transaction. We rely on projections of revenues in developing our operating plans for the future and will base our expectations regarding expenses on these projections and plans. If we inaccurately forecast revenues and / or earnings, or fail to accurately project expenses, we may be unable to adjust our spending in a timely manner to compensate for these inaccuracies and, as a result, may suffer operating losses and such losses could have a negative impact on our financial condition and results of operations. If, for any reason, we fail to meet company, investor or analyst projections of revenue, growth or earnings, the market price of the common stock could decline and you may lose all or part of your investment. Conditions in the financial markets and general economic conditions have impacted and may continue to impact our ability to generate business and revenues, which may cause significant fluctuations in our stock price. • Our opportunity to act as underwriter or placement agent could be adversely affected by a reduction in the number and size of capital raising transactions or by competing sources of equity. • The number and size of mergers and acquisitions transactions or other strategic advisory services where we act as adviser could be adversely affected by continued uncertainties in valuations related to asset quality and creditworthiness, volatility in the equity markets, and diminished access to financing. • Market volatility could lead to a decline in the volume of transactions that we execute for our customers and, therefore, to a decline in the revenue we receive from commissions and spreads. • We have experienced and may experience in the future losses in securities trading activities, or as a result of write- downs in the value of securities that we own, as a result of deteriorations in the businesses or creditworthiness of the issuers of such securities. • We have experienced and may experience in the future losses or write downs in the realizable value of our proprietary investments due to the inability of companies we invest in to repay their borrowings. • Our access to liquidity and the capital markets could be limited, preventing us from making proprietary investments and restricting our sales and trading businesses. • We have incurred, and may incur in the future, unexpected costs or losses as a result of the bankruptcy or other failure of companies for which we have performed investment banking services to honor ongoing obligations such as indemnification or expense reimbursement agreements, or in whom we have invested or to whom we have extended credit. • Sudden sharp declines in market values of securities can result in illiquid markets and the failure of counterparties to perform their obligations, which could make it difficult for us to sell securities, hedge securities positions, and invest funds under management. • As an introducing broker to clearing firms, we are responsible to the clearing firm and could be held liable for the defaults of our customers, including losses incurred as the result of a customer' s failure to meet a margin call. When we allow customers to purchase securities on margin, we are subject to risks inherent in extending credit. This risk increases when a market is rapidly declining and the value of the collateral held falls below the amount of a customer' s indebtedness. If a customer' s account is liquidated as the result of a margin call, we are liable to our clearing firm for any deficiency. • Competition in our investment banking, sales, and trading businesses could intensify as a result of the increasing pressures on financial services companies and larger firms competing for transactions and business that historically would have been too small for them to consider. • Market volatility often results in lower prices for securities, which results in reduced management fees calculated as a percentage of assets under management. • Market declines could increase claims and litigation, including arbitration claims from customers. • Our industry could face increased regulation as a result of legislative or regulatory initiatives. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities. • Government intervention may not succeed in improving the financial and credit markets and may have negative consequences for our business. Global economic and political uncertainty could adversely affect our revenue and results of operations. As a result of the international nature of our business, we are subject to the risks arising from adverse changes in global economic and political conditions. Uncertainty about the effects of current and future economic and political conditions, including acts of war, aggression or terrorism, on us, our customers, suppliers and partners makes it difficult for us to forecast operating results and to make decisions about future investments. Deterioration in economic conditions in any of the countries in which we do business could result in reductions in sales of our products and services and could cause slower or impaired collections on accounts receivable, which may adversely impact our liquidity and financial condition. As was observed during the COVID- 19 pandemic, a significant outbreak of a contagious disease or other severe public health crisis, could negatively impact the availability of key personnel necessary to conduct our business, and the business and operations of our third- party service providers who perform critical services for our business. Pandemics, epidemics, future highly infectious or contagious diseases, or other severe public health crisis could cause a material adverse effect on our business, financial condition, results of operations and cash flow. We focus principally on certain sectors of the economy in our investment banking operations, and deterioration in the business environment in these sectors or a decline in the market for securities of companies within these sectors could harm our business. Volatility in the business environment in the industries in which our clients operate or in the market for securities of companies within these industries could adversely affect our financial results and the market value of our common stock. The business environment for companies in some of these industries has been subject to high levels of volatility in recent years, and our financial results have consequently been subject to significant variations from year to year. For example, the consumer goods and services sectors are subject to consumer spending trends, which have been volatile, to mall traffic trends, which have been down, to the availability of credit, and to broader trends such as the rise of Internet retailers. Emerging markets have driven the growth of certain consumer companies but emerging market economies are fragile, subject to wide swings in GDP, and subject to changes in foreign currencies. The technology industry has been volatile, driven by evolving technology trends, by technological obsolescence, by enterprise spending, and by changes in the capital spending trends of major corporations and government agencies around the world. Our investment banking operations focus on various sectors of the economy, and we also depend significantly on private company transactions for sources of revenues and potential business opportunities. Most of these private company clients are initially funded and controlled by private equity firms. To the extent that the pace of these private company transactions slows or the average transaction size declines due to a decrease in private equity financings, difficult market conditions in our target industries or other factors, our business and results of operations may be harmed. Underwriting and other corporate finance transactions, strategic advisory engagements and related sales and trading activities in our target industries represent a significant portion of our investment banking business. This concentration of activity in our target industries exposes us to the risk of declines in revenues in the event of downturns in these industries, such as those due to rising inflation and interest rates. Our businesses may be adversely affected by the disruptions in the credit markets, including reduced access to credit and liquidity and higher costs of obtaining credit. In the event existing internal and external financial resources do not satisfy our needs, we would have to seek additional outside financing. The availability of outside financing will depend on a variety of factors, such as our financial condition and results of operations, the availability of acceptable collateral, market conditions, the general availability of credit, the volume of trading activities, and the overall availability of credit to the financial services industry, all of which are under increased pressure due to ~~recent~~ **the continuing inflationary environment and** ~~increases~~ **increased** ~~in inflation and the present rising~~ interest ~~rate~~ **rates** ~~environment~~ . Widening credit spreads, as well as significant declines in the availability of credit, could adversely affect our ability to borrow on an unsecured basis. Disruptions in the credit markets could make it more difficult and more expensive to obtain funding for our businesses. If our available funding is limited or we are forced to fund our operations at a higher cost, these conditions may require us to curtail our business activities and increase our cost of funding, both of which could reduce our profitability, particularly in our businesses that involve investing and taking principal positions. Liquidity, or ready access to funds, is essential to financial services firms, including ours. Failures of financial institutions have often been attributable in large part to insufficient liquidity. Liquidity is of particular importance to our sales and trading business, and perceived liquidity issues may affect the willingness of our clients and counterparties to engage in sales and trading transactions with us. Our liquidity could be impaired due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects our sales and trading clients, third parties, or us. Further, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time. Our clients engaging us with respect to mergers and acquisitions often rely on access to the secured and unsecured credit markets to finance their transactions. The lack of available credit and the increased cost of credit could adversely affect the size, volume and timing of our clients' merger and acquisition transactions- particularly large transactions- and adversely affect our investment banking business and revenues. Climate change could have a material negative impact on us and our customers and counterparties, and our efforts to address concerns relating to climate change could result in damage to our reputation. Our business, as well as the operations and activities of our customers and counterparties, could be negatively impacted by climate change. Climate change presents both immediate and long- term risks to us and our customers and these risks are expected to increase over time. Climate change may cause extreme weather events that disrupt operations at one or more of our primary locations, which may negatively affect our ability to service and interact with our clients, adversely affect the value of our investments, and reduce the availability of insurance. Climate change and the transition to a less carbon- dependent economy may also have a negative impact on the operations or financial condition of our clients and counterparties, which may decrease revenues from those clients and counterparties and increase the credit risk associated with loans and other credit exposures to those clients and counterparties. In addition, climate change may impact the broader economy, including through disruptions to supply chains. Climate change also exposes us to transition risks associated with the transition to a less carbon- dependent economy. Transition risks may result from changes in policies; laws and regulations; technologies; and / or market preferences to address climate change. Such changes could materially, negatively impact our business, results of operations, financial condition and / or our reputation, in addition to having a similar impact on our customers and counterparties. For example, our reputation and client relationships may be damaged as a result of our involvement, or our clients' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change. New regulations or guidance relating to climate change, as well as the perspectives of regulators, stockholders, employees and other stakeholders regarding climate change, may affect whether and on what terms and conditions we engage in certain activities or offer certain products. The risks associated with, and the perspective of regulators, shareholders, employees and other stakeholders regarding, climate change are continuing to evolve rapidly, which can make it difficult to assess the ultimate impact on us of climate change- related risks and uncertainties, and we expect that climate change- related risks will increase over time. Our third- party contract manufacturers are located across ~~seven~~ **several** countries in Asia ~~, Turkey, and U. S.~~ , which could expose us to risks associated with doing business in those geographic areas. All of our production is performed by third- party contract manufacturers, including original design manufacturers, in Taiwan, China, Thailand, Vietnam, Cambodia, India, Korea and Philippines. Our global manufacturing suppliers in Asia and other countries could be adversely affected by changes in the interpretation and enforcement of legal standards, strains on available labor pool, changes in labor costs and other employment dynamics, high turnover among skilled employees, infrastructure issues, import- export issues, cross- border intellectual property and technology restrictions, currency transfer restrictions, natural disasters, regional or global pandemics, conflicts or disagreements between the United States and some other countries, labor unrest, and other trade customs and practices that are dissimilar to those in the United States and Europe. We depend on overseas third- party suppliers for the manufacture of Targus and magicJack products, and our reputation and results of operations would be harmed if these manufacturers or suppliers fail to meet our requirements. Our manufacturers supply substantially all of the raw materials and provide all facilities and labor required to manufacture our products. Within Asia, except for India, the majority of raw materials are from China. If these companies were to terminate their arrangements with us or fail to provide the required capacity and quality on a timely basis, either due to actions of the manufacturers; earthquakes, typhoons, tsunamis, fires, floods, or other natural disasters; COVID- 19 or other pandemics; wars or armed conflicts; strains on infrastructure; available labor pools or manufacturing capacity; or the actions of their respective governments, we would be unable to manufacture our products until replacement contract manufacturing services could be obtained. To qualify a new contract manufacturer, familiarize it with our products, quality standards and other requirements, and commence volume production is a costly and time- consuming process. Lead times for materials, components and products ordered by us or by our contract manufacturers can vary significantly and depend on factors such as contract terms, demand for an input component, and supplier capacity. From time to time, we have experienced component shortages and extended lead times on semiconductors and other input products used in our finished products. Shortages or interruptions in the supply of components or subcontracted products, or our inability to procure these components or products from alternate sources at acceptable prices in a timely manner, could delay shipment of our products or increase our production costs, which could adversely affect our business and operating results. While we work to address and mitigate such risks, we are exposed to the risks of supply chain disruption which could negatively impact our business. Any material interruption in the manufacture of our products could likely result in delays in shipment, lost sales and revenue, and damage to our reputation in the market, all of which would harm our business and results of operations. Changes in trade policy and regulations in the United States and other countries, including changes in trade agreements and the imposition of tariffs and the resulting consequences, may have adverse impacts on our business, results of operations, and financial condition. In recent years, the U. S. government has instituted or proposed changes to international trade policy through the renegotiation, and potential termination, of certain existing bilateral or multilateral trade agreements and treaties with, and the imposition of tariffs on a wide range of products and other goods from China, EMEA, and other countries. Given our contract manufacturing and logistic providers in those countries, policy or regulations changes in the United States or other countries present particular risks for us. New or increased tariffs could adversely affect many of our products. There also are risks associated with retaliatory tariffs and resulting trade wars. We cannot predict future trade policy and regulations in the United States and other countries, the terms of any renegotiated trade agreements or treaties, or tariffs and their impact on our business. An escalated trade war could have a significant adverse effect on world trade and the world economy. To the extent that trade tariffs and other restrictions imposed by the United States or other countries increase the price of, or limit the amount of, our products or components or materials used in our products imported into the United States or other countries, or create adverse tax consequences, the sales, cost, or gross margin of our products may be adversely affected and the demand from our customers for products and services may be diminished. Uncertainty surrounding international trade policy and regulations as well as disputes and protectionist measures could also have an adverse effect on consumer confidence and spending. If we deem it necessary to alter all or a portion of our activities or operations in response to such policies, agreements, or tariffs, our capital and operating costs may increase. Our financial performance is subject to risks associated with fluctuations in currency exchange rates. While the majority of our business is conducted in U. S. Dollars, we face some exposure to movements in currency exchange rates. For manufacturing, our components are sourced mainly in U. S. Dollars. Our primary exposure to movements in currency exchange rates relates to non- U. S. Dollar- denominated sales and operating expenses worldwide. The weakening of currencies relative to the U. S. Dollar adversely affects the U. S. Dollar value of our non- U. S. Dollar- denominated sales and earnings. If we raise international pricing to compensate, it could potentially reduce demand for our products, adversely affecting our sales and potentially having an adverse impact on our market share. Margins on sales of our products in non- U. S. Dollar- denominated countries and on sales of products that include components obtained from suppliers in non- U. S. Dollar- denominated countries could be adversely affected by currency exchange rate fluctuations. In some circumstances, for competitive or other reasons, we may decide not to raise local prices to fully offset the U. S. Dollar' s strengthening, which would adversely affect the U. S. Dollar value of our non- U. S. Dollar- denominated sales and earnings. Competitive conditions in the markets in which we operate may also limit our ability to increase prices in the event of fluctuations in currency exchange rates. Conversely, strengthening of currency rates may also increase our product component costs and other expenses denominated in those currencies, adversely affecting operating results. As a result, fluctuations in currency exchange rates could and have in the past adversely affected our business, operating results and financial condition. Risks Related to Legal Liability, Risk Management, Finance and Accounting Our exposure to legal liability is significant, and could lead to substantial damages. We face significant legal risks in our businesses. These risks include potential liability under securities laws and regulations in connection with our capital markets, asset management and other businesses. The volume and amount of damages claimed in litigation, arbitrations, regulatory enforcement actions and other adversarial proceedings against financial services firms have increased in recent years. We also are subject to claims from disputes with our employees and our former employees under various circumstances. Risks associated with legal liability often are difficult to assess or quantify and their existence and magnitude can remain unknown for significant periods of time, making the amount of legal reserves related to these legal liabilities difficult to determine and subject to future revision. Legal or regulatory matters involving our directors, officers or employees in their individual capacities also may create exposure for us because we may be obligated or may choose to indemnify the affected individuals against liabilities and expenses they incur in connection with such matters to the extent permitted under applicable law. In addition, like other financial services companies, we may face the possibility of employee fraud or misconduct. The precautions we take to prevent and detect this activity may not be effective in all cases and there can be no assurance that we will be able to deter or prevent fraud or misconduct. Exposures from and expenses incurred related to any of the foregoing actions or proceedings could have a negative impact on our results of operations and financial condition. In addition, future results of operations could be adversely affected if reserves relating to these legal liabilities are required to be increased or legal proceedings are resolved in excess of established reserves **. On August 21, 2023, we completed the FRG take- private transaction, as further described in Item 1. Business – Recent Developments – FRG Take- Private and Related Transactions. In November 2023, we learned from news reports that Mr. Kahn was identified as an unindicted co- conspirator in criminal and civil charges of securities fraud against the executive of an unrelated hedge fund. While we had no involvement with, or knowledge of, any of the alleged misconduct concerning that hedge fund (and each of the separate review and investigations undertaken by the Audit Committee of our Board of Directors confirmed this), as a result of these matters we have experienced and will likely continue to experience adverse impacts on our business, results of operations, reputation, and / or stock price. These adverse impacts arise and will likely continue to arise out of current and future legal proceedings initiated since the November 2023 news reports, the many continuing unfounded allegations by short sellers and others, the substantial short pressure on our stock price (for further information, see the Risk Factor " — The price of our securities may be adversely affected by third parties who raise allegations about our Company " below), and the resulting damage to certain business relationships and employee morale, among others. We have incurred and will continue to incur expenses in connection with these matters and any future legal proceedings arising out of these matters, which expenses may be material and, in some cases, are not or will not be covered by insurance. We are also subject to risks as a result of the concentration of investments in Freedom VCM given (i) our ownership of a 31 % equity interest in Freedom VCM, (ii) the $ 200. 5 million amended and restated promissory note secured by Freedom VCM equity interests (the " Amended and Restated Note "), and (iii) the Freedom Receivables Note. Accordingly, we may suffer adverse impacts on our financial condition or results of operations as a result of Freedom VCM and its subsidiary FRG performing worse than we expect; the development of their strategies, including the possible disposition of additional businesses and further de- leveraging of their balance sheet, taking longer than expected; the risks associated with consumer- facing businesses described elsewhere in these Risk Factors; and current and future claims, demands, and legal proceedings arising out of the FRG take- private transaction itself and for Mr. Kahn' s ownership of and involvement with Freedom VCM and FRG and related expenses which may be material. For example, as it relates to the $ 200. 5 million Amended and Restated Note, the Company has determined that the repayment of the Note will be primarily from the cash distributions from Freedom VCM or the foreclosure on the underlying collateral provided by Mr. Kahn and his spouse being in the Freedom VCM equity interests. In addition, in light of Mr. Kahn' s alleged involvement with the alleged misconduct concerning Prophecy Asset Management LP, we can provide no assurances that we will not be subject to claims asserting an interest in the Freedom VCM equity interests owned by Mr. Kahn, including those that collateralize the Amended and Restated Note. If a claim were successful, it would diminish the value of the collateral which could impact the carrying value of the loan. If such claims are made, however, we believe we have valid defenses from any such claim and any such claim would be without merit. For further information regarding existing litigation, please refer to the matters disclosed under the heading " Item 3. Legal Proceedings "** . We may incur losses as a result of ineffective risk management processes and strategies. We seek to monitor and control our risk exposure through operational and compliance reporting systems, internal controls, management review processes and other mechanisms. Our investing and trading processes seek to balance our ability to profit from investment and trading positions with our exposure to potential losses. While we employ limits, hedging transactions, and other risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate economic and financial outcomes or the specifics and timing of such outcomes. Thus, we may, in the course of our investment and trading activities, incur losses, which may be significant. In addition, we are investing our own capital in our funds and funds of funds as well as principal investing activities, and limitations on our ability to withdraw some or all of our investments in these funds or liquidate our investment positions, whether for legal, reputational, illiquidity or other reasons, may make it more difficult for us to control the risk exposures relating to these investments. Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risks. Our risk management strategies and techniques may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk. We seek to manage, monitor and control our operational, legal and regulatory risk through operational and compliance reporting systems, internal controls, management review processes and other mechanisms; however, there can be no assurance that our procedures will be fully effective. Further, our risk management methods may not effectively predict future risk exposures, which could be significantly greater than the historical measures indicate. In addition, some of our risk management methods are based on an evaluation of information regarding markets, clients and other matters that are based on assumptions that may no longer be accurate. A failure to adequately manage our growth, or to effectively manage our risk, could materially and adversely affect our business and financial condition. We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure, and breach of contract or other reasons. We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. As an introducing broker, we could be held responsible for the defaults or misconduct of our customers. These may present credit concerns, and default risks may arise from events or circumstances that are difficult to detect, foresee or reasonably guard against. In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us. If any of the variety of instruments, processes and strategies we utilize to manage our exposure to various types of risk are not effective, we may incur losses. Our failure to deal appropriately with conflicts of interest could damage our reputation and adversely affect our business. As we have expanded the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our and our funds' and clients' investment and other activities. Certain of our funds have overlapping investment objectives, including funds which have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among ourselves and those funds. For example, a decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest when it results in our having to restrict the ability of the Company or other funds to take any action. In addition, there may be conflicts of interest regarding investment decisions for funds in which our officers, directors and employees, who have made and may continue to make significant personal investments in a variety of funds, are personally invested. Similarly, conflicts of interest may exist or develop regarding decisions about the allocation of specific investment opportunities between the Company and the funds. We also have potential conflicts of interest with our investment banking and institutional clients including situations where our services to a particular client or our own proprietary or fund investments or interests conflict or are perceived to conflict with a client. It is possible that potential or perceived conflicts could give rise to investor or client dissatisfaction or litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation, which would materially adversely affect our business in a number of ways, including as a result of redemptions by our investors from our hedge funds, an inability to raise additional funds and a reluctance of counterparties to do business with us. Firms in the financial services industry have been operating in a difficult regulatory environment which we expect will become even more stringent in light of recent well- publicized failures of regulators to detect and prevent fraud. The industry has experienced increased scrutiny from a variety of regulators, including the SEC, the NYSE, FINRA and state attorneys general. Penalties and fines sought by regulatory authorities have increased substantially over the last several years. This regulatory and enforcement environment has created uncertainty with respect to a number of transactions that had historically been entered into by financial services firms and that were generally believed to be permissible and appropriate. We may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self- regulatory organizations. Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of financial services, including, but not limited to, the authority to fine us and to grant, cancel, restrict or otherwise impose conditions on the right to carry on particular businesses. For example, a failure to comply with the obligations imposed by the Exchange Act on broker- dealers and the Investment Advisers Act of 1940 on investment advisers, including record- keeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities, or by the Investment Company Act of 1940, could result in investigations, sanctions and reputational damage. We also may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U. S. or foreign governmental regulatory authorities or FINRA or other self- regulatory organizations that supervise the financial markets. Substantial legal liability or significant regulatory action against us could have adverse financial effects on us or cause reputational harm to us, which could harm our business prospects. In addition, financial services firms are subject to numerous conflicts of interests or perceived conflicts. The SEC and other federal and state regulators have increased their scrutiny of potential conflicts of interest. We have adopted various policies, controls and procedures to address or limit actual or perceived conflicts and regularly review and update our policies, controls and procedures. However, appropriately addressing conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to appropriately address conflicts of interest. Our policies and procedures to address or limit actual or perceived conflicts may also result in increased costs and additional operational personnel. Failure to adhere to these policies and procedures may result in regulatory sanctions or litigation against us. For example, the research operations of investment banks have been and remain the subject of heightened regulatory scrutiny which has led to increased restrictions on the interaction between equity research analysts and investment banking professionals at securities firms. Several securities firms in the U. S. reached a global settlement in 2003 and 2004 with certain federal and state securities regulators and self- regulatory organizations to resolve investigations into the alleged conflicts of interest of research analysts, which resulted in rules that have imposed additional costs and limitations on the conduct of our business. Asset management businesses have experienced a number of highly publicized regulatory inquiries which have resulted in increased scrutiny within the industry and new rules and regulations for mutual funds, investment advisors and broker- dealers. Our subsidiary, B. Riley Capital Management, LLC, is registered as an investment advisor with the SEC and regulatory scrutiny and rulemaking initiatives may result in an increase in operational and compliance costs or the assessment of significant fines or penalties against our asset management business, and may otherwise limit our ability to engage in certain activities. In recent years the Company has experienced significant pricing pressures on trading margins and commissions in debt and equity trading. In the equity and fixed income markets, regulatory requirements and the increased use of electronic trading and alternative trading systems has resulted in greater price transparency, leading to increased price competition and decreased trading margins. The trend toward using alternative trading systems is continuing to grow, which may result in decreased commission and trading revenue, reduce our participation in the trading markets and our ability to access market information, and lead to the creation of new and stronger competitors. In the equity markets, we utilize certain market centers to execute orders on our behalf in exchange for payment for our order flow. Market centers are selected based on their ability to provide liquidity, price improvement, and timely execution for client orders. Increased regulatory scrutiny of payment for order flow may result in a decrease in this type of revenue. Institutional clients also have pressured financial services firms to alter" soft dollar" practices under which brokerage firms bundle the cost of trade execution with research products and services. Some institutions separate (or " unbundle ") payments for research products or services from sales commissions. Institutions subject to MiFID II were required to unbundle such payments commencing January 3, 2018. The SEC' s decision to no longer extend regulatory relief from certain arrangements required by MiFID II will increase competitive pressures from those clients which have yet to unbundle payments for research products or services from sales commissions.

Should we be unable to reach agreement regarding the terms of unbundling arrangements with institutional clients who are actively seeking such arrangements, this could result in the loss of those clients, which would likely reduce the level of institutional commissions. We believe that price competition and pricing pressures in these and other areas will continue as institutional investors continue to reduce the amounts they are willing to pay, including reducing the number of brokerage firms they use, and some of our competitors seek to obtain market share by reducing fees, commissions or margins. In addition, Congress is currently considering imposing new requirements on entities that securitize assets, which could affect our credit activities. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business. If we cannot meet our future capital requirements, we may be unable to develop and enhance our services, take advantage of business opportunities and respond to competitive pressures. We may need to raise additional funds in the future to grow our business internally, invest in new businesses, expand through acquisitions, enhance our current services or respond to changes in our target markets. If we raise additional capital through the sale of equity or equity derivative securities, the issuance of these securities could result in dilution to our existing stockholders. If additional funds are raised through the issuance of debt securities, the terms of that debt could impose additional restrictions on our operations or harm our financial condition. Additional financing may be unavailable on acceptable terms. Our ability to use net loss carryovers to reduce our taxable income may be limited. The Company may be limited to the amount of net operating loss carryforwards that may be utilized in future taxable years depending on the Company' s actual taxable income. As of December 31, ~~2022~~ **2023** , the Company believes that its net operating loss carryforwards, net of any existing allowances provided, will be utilized in future tax periods before the loss carryforwards expire and it is more- likely- than- not that future taxable earnings will be sufficient to realize its deferred tax assets. However, to the extent that the Company is unable to utilize such net operating losses, it may have a material adverse effect on the Company' s financial condition and results of operations. Changes in tax laws or regulations, or to interpretations of existing tax laws or regulations, to which we are subject could adversely affect our financial condition and cash flows. We are subject to taxation in the United States and in some foreign jurisdictions. Our financial condition and cash flows are impacted by tax policy implemented at each of the federal, state, local and international levels. We cannot predict whether any changes to tax laws or regulations, or to interpretations of existing tax laws or regulations, will be implemented in the future or whether any such changes would have a material adverse effect on our financial condition and cash flows. However, future changes to tax laws or regulations, or to interpretations of existing tax laws or regulations, could increase our tax burden or otherwise adversely affect our financial condition and cash flows. **We have** ~~As discussed in the" Explanatory Note" and Note 2 to our consolidated financial statements, prior to the filing of this Annual Report on Form 10- K, we~~ identified ~~a classification error of dividend income and realized and unrealized gains (losses) on certain investments within revenue in our consolidated statement of operations. Due to the error, on March 15, 2023, the Audit Committee of our Board of Directors, after considering the recommendation of management and after discussion with our independent registered public accounting firm, Marcum LLP, we concluded that our previously issued audited consolidated financial statements as of and for the year ended December 31, 2020 and 2021 and each of our unaudited condensed consolidated financial statements for the quarterly and year- to- date periods during 2021 and for the first three quarters of the year ending 2022 should no longer be relied upon. As a result of the error and restatement, we are subject to additional risks and uncertainties, including unanticipated costs for legal fees, litigation, governmental proceedings or investigations and loss of investor confidence. Management has determined that the restatement described above resulted from a~~ material ~~weakness~~ **weaknesses** in **our** internal control over financial reporting **, and these** ~~. We have also identified a~~ material ~~weakness~~ **weaknesses** ~~relating~~ **, or our failure or inability** to **remediate** ~~the~~ **them** ~~operating~~ **, or our failure to otherwise design and maintain** ~~effectiveness~~ ---- **effective** ~~of management review controls over key assumptions that are utilized to determine the fair value of intangible assets for new acquisitions and the fair value of reporting units in our assessment of goodwill impairment and a material weakness relating to the operating effectiveness of management' s review controls over the income tax provision in our~~ internal control over financial reporting **, exposes us to additional risks and uncertainties and could result in loss of investor confidence, shareholder litigation or governmental proceedings or investigations, any of which could cause the market value of our securities to decline or impact our ability to access the capital markets** . As a ~~result~~ **public company, we are subject to the reporting requirements** of **the Exchange Act, the Sarbanes- Oxley Act and the Dodd- Frank Act and are required to prepare our financial statements according to the rules and regulations required by the SEC. In addition, the Exchange Act requires that we file annual, quarterly and current reports. Our failure to prepare and disclose this information in a timely manner or to otherwise comply with applicable law could subject us to penalties under federal securities laws, expose us to lawsuits and restrict our ability to access financing. In addition, the Sarbanes- Oxley Act requires, among** ~~the~~ **other** ~~foregoing~~ **things, that we establish and maintain effective internal controls and procedures for financial reporting and disclosure purposes. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. As reported in Item 9A, Controls and Procedures of this Annual Report** , we have ~~concluded that~~ **identified material weaknesses in** our internal control over financial reporting ~~and disclosure controls and procedures were not effective as of December 31, 2022~~ . **A** ~~For further discussion of the~~ material ~~weaknesses~~ -- **weakness** ~~identified and~~ **is a deficiency,** ~~our~~ - **or combination of** ~~remediation efforts, see Item 9A, Controls and Procedures. Remediation efforts place a significant burden on management and add increased pressure to our financial resources and processes. If we are unable to successfully remediate our existing, or any future, material weaknesses or other~~ deficiencies **,** in ~~our~~ internal control over financial reporting **, such that there is a reasonable possibility that a material misstatement of our consolidated financial statements will not be prevented or detected on a timely basis. As a result of these material weaknesses, we are subject to additional risks and uncertainties. For example, we cannot assure you that the measures we have taken to date and that we intend to continue to take will be sufficient to remediate**

the internal control deficiencies that led to our material weaknesses, that the material weaknesses will be remediated on a timely basis, or that additional material weaknesses will not be identified in the future. If the steps we take do not remediate the outstanding material weaknesses in a timely manner, there could continue to be a possibility that these control deficiencies or others could result in a material misstatement of our annual or interim consolidated financial statements. Moreover, remediation efforts place a significant burden on management and add increased pressure to our financial resources and processes. If we are unable to successfully remediate our existing, or any future, material weaknesses or other deficiencies in our internal control over financial reporting or disclosure controls and procedures **, or we failure to otherwise design and maintain effective internal control over financial reporting** , investors may lose confidence in our financial reporting and the accuracy and timing of our financial reporting and disclosures and our business, reputation, results of operations, financial condition, price of our securities, and ability to access the capital markets through equity or debt issuances could be adversely affected. In addition, we may be subject to governmental investigations and penalties and litigation **as a result of these control deficiencies** . We may suffer losses if our reputation is harmed. Our ability to attract and retain customers and employees may be diminished to the extent our reputation is damaged. If we fail, or are perceived to fail, to address various issues that may give rise to reputational risk, we could harm our business prospects. These issues include, but are not limited to, appropriately dealing with market dynamics, potential conflicts of interest, legal and regulatory requirements, ethical issues, customer privacy, record- keeping, sales and trading practices, and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our products and services. Failure to appropriately address these issues could give rise to loss of existing or future business, financial loss, and legal or regulatory liability, including complaints, claims and enforcement proceedings against us, which could, in turn, subject us to fines, judgments and other penalties. In addition, our Capital Markets operations depend to a large extent on our relationships with our clients and reputation for integrity and high- caliber professional services to attract and retain clients. As a result, if a client is not satisfied with our services, it may be more damaging in our business than in other businesses. Misconduct by our employees or by the employees of our business partners could harm us and is difficult to detect and prevent. There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and we run the risk that employee misconduct could occur at our firm. For example, misconduct could involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter misconduct and the precautions we take to detect and prevent this activity may not be effective in all cases. Our ability to detect and prevent misconduct by entities with which we do business may be even more limited. We may suffer reputational harm for any misconduct by our employees or those entities with which we do business. We may enter into new lines of business, make future strategic investments or acquisitions and enter into joint ventures. As we have in the past, and subject to market conditions, we may grow our business by increasing assets under management in existing investment strategies, pursue new investment strategies, which may be similar or complementary to our existing strategies or be wholly new initiatives, or enter into strategic relationships, or joint ventures. In addition, opportunities may arise to acquire or invest in other businesses that are related or unrelated to our current businesses. To the extent we make strategic investments or acquisitions, enter into strategic relationships or joint ventures or enter into new lines of business, we will face numerous risks and uncertainties, including risks associated with the required investment of capital and other resources and with combining or integrating operational and management systems and controls and managing potential conflicts. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business generates insufficient revenues, or produces investment losses, or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected, and our reputation and business may be harmed. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control. Risks Related to Our Capital Markets Activities Our investment banking clients generally retain us on a short- term, engagement- by- engagement basis in connection with specific corporate finance, merger and acquisition transactions (often as an advisor in company sale transactions) and other strategic advisory services, rather than on a recurring basis under long- term contracts. As these transactions are typically singular in nature and our engagements with these clients may not recur, we must seek new engagements when our current engagements are successfully completed or are terminated. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any subsequent period. If we are unable to generate a substantial number of new engagements that generate fees from new or existing clients, our business, results of operations and financial condition could be adversely affected. Our Capital Markets operations are highly dependent on communications, information and other systems and third parties, and any systems failures could significantly disrupt our capital markets business. Our data and transaction processing, custody, financial, accounting and other technology and operating systems are essential to our capital markets operations. A system malfunction (due to hardware failure, capacity overload, security incident, data corruption, etc.) or mistake made relating to the processing of transactions could result in financial loss, liability to clients, regulatory intervention, reputational damage and constraints on our ability to grow. We outsource a substantial portion of our critical data processing activities, including trade processing and back office data processing. We also contract with third parties for market data and other services. In the event that any of these service providers fails to adequately perform such services or the relationship between that service provider and us is terminated, we may experience a significant disruption in our operations, including our ability to timely and accurately process transactions or maintain complete and accurate records of those transactions. Adapting or developing our technology systems to meet new regulatory requirements, client needs, expansion and industry demands also is critical for our business. Introduction of new technologies present new challenges on a regular basis. We have an ongoing need to upgrade and improve our various technology systems, including our data and transaction processing, financial, accounting, risk management and trading systems.

This need could present operational issues or require significant capital spending. It also may require us to make additional investments in technology systems and may require us to reevaluate the current value and / or expected useful lives of our technology systems, which could negatively impact our results of operations. Secure processing, storage and transmission of confidential and other information in our internal and outsourced computer systems and networks also is critically important to our business. We take protective measures and endeavor to modify them as circumstances warrant. However, our computer systems and software are subject to unauthorized access, computer viruses or other malicious code, inadvertent, erroneous or intercepted transmission of information (including by e- mail), and other events that have had an information security impact. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. A disruption in the infrastructure that supports our business due to fire, natural disaster, health emergency (for example, the COVID- 19 pandemic), power or communication failure, act of terrorism or war may affect our ability to service and interact with our clients. If we are not able to implement contingency plans effectively, any such disruption could harm our results of operations. The growth of electronic trading and the introduction of new technology in the markets in which our market- making business operates may adversely affect this business and may increase competition. The continued growth of electronic trading and the introduction of new technologies is changing our market- making business and presenting new challenges. Securities, futures and options transactions are increasingly occurring electronically, through alternative trading systems. We expect that the trend toward alternative trading systems will continue to accelerate. This acceleration could further increase program trading, increase the speed of transactions and decrease our ability to participate in transactions as principal, which would reduce the profitability of our market- making business. Some of these alternative trading systems compete with our market- making business and with our algorithmic trading platform, and we may experience continued competitive pressures in these and other areas. Significant resources have been invested in the development of our electronic trading systems, which includes our at- the- market business, but there is no assurance that the revenues generated by these systems will yield an adequate return on the investment, particularly given the increased program trading and increased percentage of stocks trading off of the historically manual trading markets. Pricing and other competitive pressures may impair the revenues of our sales and trading business. We derive a significant portion of our revenues for our investment banking operations from our sales and trading business. There has been intense price competition and trading volume reduction in this business in recent years. In particular, the ability to execute trades electronically and through alternative trading systems has increased the downward pressure on per share trading commissions and spreads. We expect these trends toward alternative trading systems and downward pricing pressure in the business to continue. We experience competitive pressures in these and other areas in the future as some of our competitors seek to obtain market share by competing on the basis of price or by using their own capital to facilitate client trading activities. In addition, we face pressure from our larger competitors, many of whom are better able to offer a broader range of complementary products and services to clients in order to win their trading business. These larger competitors may also be better able to respond to changes in the research, brokerage and investment banking industries, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally. As we are committed to maintaining and improving our comprehensive research coverage in our target sectors to support our sales and trading business, we may be required to make substantial investments in our research capabilities to remain competitive. If we are unable to compete effectively in these areas, the revenues of our sales and trading business may decline, and our business, results of operations and financial condition may be harmed. Some of our large institutional sales and trading clients in terms of brokerage revenues have entered into arrangements with us and other investment banking firms under which they separate payments for research products or services from trading commissions for sales and trading services, and pay for research directly in cash, instead of compensating the research providers through trading commissions (referred to as " soft dollar " practices). In addition, we have entered into certain commission sharing arrangements in which institutional clients execute trades with a limited number of brokers and instruct those brokers to allocate a portion of the commission directly to us or other broker- dealers for research or to an independent research provider. If more of such arrangements are reached between our clients and us, or if similar practices are adopted by more firms in the investment banking industry, we expect that would increase the competitive pressures on trading commissions and spreads and reduce the value our clients place on high quality research. Conversely, if we are unable to make similar arrangements with other investment managers that insist on separating trading commissions from research products, volumes and trading commissions in our sales and trading business also would likely decrease. Larger and more frequent capital commitments in our trading and underwriting businesses increase the potential for significant losses. Certain financial services firms make larger and more frequent commitments of capital in many of their activities. For example, in order to win business, some investment banks increasingly commit to purchase large blocks of stock from publicly traded issuers or significant stockholders, instead of the more traditional marketed underwriting process in which marketing is typically completed before an investment bank commits to purchase securities for resale. We have participated in this activity and expect to continue to do so and, as a result, we are subject to increased risk. Conversely, if we do not have sufficient regulatory capital to so participate, our business may suffer. Furthermore, we may suffer losses as a result of the positions taken in these transactions even when economic and market conditions are generally favorable for others in the industry. We may commit our own capital as part of our trading business to facilitate client sales and trading activities. The number and size of these transactions may adversely affect our results of operations in a given period. We may also incur significant losses from our sales and trading activities due to market fluctuations and volatility in our results of operations. To the extent that we own assets, i. e., have long positions, in any of those markets, a downturn in the value of those assets or in those markets could result in losses. Conversely, to the extent that we have sold assets we do not own, i. e., have short positions, in any of those markets, an upturn in those markets could expose us to potentially large losses as we attempt to cover our short positions by acquiring assets in a rising market. Our underwriting and market making activities may place our capital at risk. We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities we purchased as an underwriter at the anticipated price levels. As an underwriter, we also are subject to heightened standards regarding liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite. Further, even though underwriting agreements with issuing companies typically include a right to indemnification in favor of the underwriter for these offerings to cover potential liability from any material misstatements or omissions, indemnification may be unavailable or insufficient in certain circumstances, for example if the issuing company has become insolvent. As a market maker, we may own large positions in specific securities, and these undiversified holdings concentrate the risk of market fluctuations and may result in greater losses than would be the case if our holdings were more diversified. We are subject to net capital and other regulatory capital requirements; failure to comply with these rules would significantly harm our business. Our broker- dealer subsidiaries are subject to the net capital requirements of the SEC, FINRA, and various self- regulatory organizations of which they are members. These requirements typically specify the minimum level of net capital a broker- dealer must maintain and also mandate that a significant part of its assets be kept in relatively liquid form. Failure to maintain the required net capital may subject a firm to limitation of its activities, including suspension or revocation of its registration by the SEC and suspension or expulsion by FINRA and other regulatory bodies, and ultimately may require its liquidation. Failure to comply with the net capital rules could have material and adverse consequences, such as: • limiting our operations that require intensive use of capital, such as underwriting or trading activities; or • restricting us from withdrawing capital from our subsidiaries when our broker- dealer subsidiaries have more than the minimum amount of required capital. This, in turn, could limit our ability to implement our business and growth strategies, pay interest on and repay the principal of our debt and / or repurchase our shares. In addition, a change in the net capital rules or the imposition of new rules affecting the scope, coverage, calculation, or amount of net capital requirements, or a significant operating loss or any large charge against net capital, could have similar adverse effects. Furthermore, our broker- dealer subsidiaries are subject to laws that authorize regulatory bodies to block or reduce the flow of funds from it to B. Riley Financial, Inc. As a holding company, B. Riley Financial, Inc. depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments, if any, and to fund all payments on its obligations, including debt obligations. As a result, regulatory actions could impede access to funds that B. Riley Financial, Inc. needs to make payments on obligations, including debt obligations, or dividend payments. In addition, because B. Riley Financial, Inc. holds equity interests in the firm' s subsidiaries, its rights as an equity holder to the assets of these subsidiaries may not materialize, if at all, until the claims of the creditors of these subsidiaries are first satisfied. Risks Related to our Investment Activities From time to time, we use our capital, including on a leveraged basis, in proprietary investments in both private company and public company securities that may be illiquid and volatile. The equity securities of a privately- held entity in which we make a proprietary investment are likely to be restricted as to resale and are otherwise typically highly illiquid. In the case of fund or similar investments, our investments may be illiquid until such investment vehicles are liquidated. We expect that there will be restrictions on our ability to resell the securities that we acquire for a period of up to one year after we acquire those securities. Thereafter, a public market sale may be subject to volume limitations or dependent upon securing a registration statement for an initial and potentially secondary public offering of the securities. We may make investments that are significant relative to the overall capitalization of the investee company and resales of significant amounts of these securities might be subject to significant limitations and adversely affect the market and the sales price for the securities in which we invest. In addition, our investments may involve entities or businesses with capital structures that have significant leverage. The large amount of borrowing in the leveraged capital structure increases the risk of losses due to factors such as rising inflation, interest rates, downturns in the economy or deteriorations in the condition of the investment or its industry. In the event of defaults under borrowings, the assets being financed would be at risk of foreclosure, and we could lose our entire investment. Even if we make an appropriate investment decision based on the intrinsic value of an enterprise, we cannot assure you that general market conditions will not cause the market value of our investments to decline. For example, a further increase in inflation, interest rates, a general decline in the stock markets, such as the recent declines in the stock markets due to the anticipated rising interest rate environment, or other market and industry conditions adverse to companies of the type in which we invest and intend to invest could result in a decline in the value of our investments or a total loss of our investment. In addition, some of these investments are, or may in the future be, in industries or sectors which are unstable, in distress or undergoing some uncertainty. Further, the companies in which we invest may rely on new or developing technologies or novel business models, or concentrate on markets which are or may be disproportionately impacted by pressures in the financial services and / or mortgage and real estate sectors, have not yet developed and which may never develop sufficiently to support successful operations, or their existing business operations may deteriorate or may not expand or perform as projected. Such investments may be subject to rapid changes in value caused by sudden company- specific or industry- wide developments. Contributing capital to these investments is risky, and we may lose some or all of the principal amount of our investments. There are no regularly quoted market prices for a number of the investments that we make. The value of our investments is determined using fair value methodologies described in valuation policies, which may consider, among other things, the nature of the investment, the expected cash flows from the investment, bid or ask prices provided by third parties for the investment and the trading price of recent sales of securities (in the case of publicly- traded securities), restrictions on transfer and other recognized valuation methodologies. The methodologies we use in valuing individual investments are based on estimates and assumptions specific to the particular investments. Therefore, the value of our investments does not necessarily reflect the prices that would actually be obtained by us when such investments are sold. Realizations, if any, at values significantly lower than the values at which investments have been reflected on our balance sheet would result in losses of potential incentive income. We are generally exposed to the risk that third parties that owe us money, securities or other assets will fail to meet their obligations to us due to numerous causes, including bankruptcy, lack of liquidity, or operational failure, among others. Additionally, when we guarantee or backstop the obligations of third parties, we are exposed to the risk that our guarantee or backstop may be called by the holder following a default by the primary obligor, which could cause us to incur significant losses, and, when our obligations are secured, expose us to the risk that the holder may seek to foreclose on collateral pledged by us. We incur credit risk through loans, lines of credit, guarantees and backstop commitments issued to or on behalf of businesses and individuals, and other loans collateralized by a variety of assets, including securities. We have experienced credit losses and bear increased credit risk because we have made loans and commitments to borrowers or issuers engaged in emerging businesses or who lack access to conventional financing who, as a group, may be uniquely or disproportionately affected by economic or market conditions. For example, we have made loans to borrowers in the cryptocurrency industry and have incurred losses as cryptocurrency prices have declined and participants in the cryptocurrency industry have experienced liquidity issues and we expect to incur further losses in the event that the cryptocurrency market experiences further volatility or liquidity issues or further declines or fails to recover. Our credit risk and credit losses can further increase if our loans or investments are concentrated among borrowers or issuers engaged in the same or similar activities, industries, or geographies. The deterioration of an individually large exposure, for example due to natural disasters, health emergencies or pandemics (like the COVID- 19 pandemic), acts of terrorism or war, severe weather events or other adverse economic events, could lead to additional loan loss provisions and / or charges- offs, or credit impairment of our investments, and subsequently have a material impact on our net income and regulatory capital. The amount and duration of our credit exposures have been increasing over the past year, as have the breadth and size of the entities to which we have credit exposures. We permit our clients to purchase securities on margin. During periods of steep declines in securities prices, the value of the collateral securing client margin loans may fall below the amount of the purchaser' s indebtedness. If clients are unable to provide additional collateral for these margin loans, we may incur losses on those margin transactions. This may cause us to incur additional expenses defending or pursuing claims or litigation related to counterparty or client defaults. Although a substantial amount of our loans to counterparties are protected by holding security interests in the assets or equity interests of the borrower, we may not be able to fully realize the value of the collateral securing our loans due to one or more of the following factors: • Our loans may be unsecured, therefore our liens on the collateral, if any, are subordinated to those of the senior secured debt of the borrower, if any. As a result, we may not be able to control remedies with respect to the collateral. • The collateral may not be valuable enough to satisfy all of the obligations under our secured loan, particularly after giving effect to the repayment of secured debt of the borrower that ranks senior to our loan. • Bankruptcy laws may limit our ability to realize value from the collateral and may delay the realization process. • Our rights in the collateral may be adversely affected by the failure to perfect security interests in the collateral. • The need to obtain regulatory and contractual consents could impair or impede how effectively the collateral would be liquidated and could affect the value received. • Some or all of the collateral may be illiquid and may have no readily ascertainable market value. The liquidity and value of the collateral could be impaired as a result of changing economic conditions, competition, and other factors, including the availability of suitable buyers. We may experience write downs of our investments and other losses related to the valuation of our investments and volatile and illiquid market conditions. In our proprietary investment activities, our concentrated holdings, illiquidity and market volatility may make it difficult to value certain of our investment securities. We have experienced, and may continue to experience in light of factors then prevailing, such as rising interest rates, general economic and market conditions or changes in the financial condition of the applicable issuer, significant downward adjustments in subsequent valuations of securities on our balance sheet. In addition, at the time of any sales and settlements of these securities, the price we ultimately realize will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could require us to take write downs in the value of our investment and securities portfolio, which may have an adverse effect on our results of operations in future periods. **A substantial portion of our cash flows and net income are dependent upon payments from our investments in consumer finance receivables.** We ~~hold~~ **have a related party loan receivable with a fair value of** approximately $ ~~406~~ **20** . ~~2~~ **6** million ~~of consumer receivables, which we acquired~~ from home- furnishing retailer W. S. Badcock Corporation (" Badcock ") **that is collateralized by consumer finance receivables of Badcock. These consumer finance receivables were acquired from Badcock** in multiple purchases beginning in December 2021. **On December 18, 2023, Badcock was sold by Freedom VCM to Conn' s. and now operates as a wholly owned subsidiary of Conn' s. This continues to be reported as a related party loan receivable due to the Company' s related party relationship with Freedom VCM and Freedom VCM' s ability to exercise influence over Conn' s as a result of the equity consideration Freedom VCM received from the sale of Badcock to Conn' s on December 18, 2023. The Company also has a related party loan receivable from a Freedom VCM affiliate with a fair value of approximately $ 42. 2 million, the Freedom Receivables Note (see Part I, Item 1 above). The Freedom Receivables Note resulted from the sale of BRRII to a Freedom VCM affiliate and the collateral for this note includes the collection of certain consumer finance receivables by the Freedom VCM affiliate.** The collectability **and repayment** of ~~our investments in~~ **the principal balance and interest on these loans** ~~receivables~~ - **receivable** ~~is~~ **, which total $ 62. 8 million, are** a function of many factors including the **ultimate collection of the consumer finance receivables that collateralize the loans,** criteria used to select ~~who is~~ **the consumers that were** issued credit, the pricing of the credit products, the lengths of the relationships, general economic conditions, the rate at which consumers repay their accounts or become delinquent, and the rate at which consumers borrow funds. Deterioration in these factors would adversely impact our business. In addition, to the extent we have over- estimated collectability, in all likelihood we have over- estimated our financial performance. Some of these concerns are discussed more fully below. Our ~~portfolio of receivables~~ **investment in these loans** is not diversified and primarily originates from consumers whose creditworthiness is considered less than prime. Our reliance on these receivables may in the future negatively impact our performance. Economic slowdowns increase our credit losses. During periods of economic slowdown or recession, we generally experience an increase in rates of delinquencies and frequency and severity of credit losses. Our actual rates of delinquencies and frequency and severity of credit losses may be comparatively higher during periods of economic slowdown or recession. Because a significant portion of our reported interest income is based on management' s estimates of the future performance of receivables ~~to~~ that collateralize $ ~~318~~ **62** . ~~1~~ **8** million of loans receivable, at fair value as of December 31, ~~2022~~ **2023** , differences between actual and expected performance of the receivables may cause fluctuations in interest income. The fair value of these loans and the interest income we report are based on management' s estimates of cash flows we expect to receive on receivables that collateralize the loan receivable. The expected cash flows are based on management' s estimates of future default rates, payment rates, servicing costs, and charge- offs from the receivables portfolio. These estimates are based on a variety of factors, many of which are not within our control. Substantial differences between actual and expected performance of the receivables can occur and cause fluctuations in the interest income we record. For instance, higher than expected rates of delinquencies and losses from the receivables portfolio could cause interest income to be lower than expected. Our ~~recent~~ **past** and ongoing investment in consumer credit receivables may not be indicative of our ability to grow such receivables in the future. Additionally, even if such receivables continue to increase, the rate of such growth could decline. If we cannot manage the growth in receivables effectively, it could have a material adverse effect on our business, prospects, results of operations, financial condition or cash flows. Furthermore, reliance upon our relationship with a single retailer may adversely affect our revenues and operating results from our receivables portfolio. Changes to consumer protection laws or changes in their interpretation may impede collection efforts or otherwise adversely impact us or the originator of our receivables. Federal and state consumer protection laws regulate the creation and enforcement of consumer receivables and other loans. Many of these laws (and the related regulations) are focused on non- prime lenders and are intended to prohibit or curtail industry- standard practices as well as non- standard practices. For instance, Congress enacted legislation that regulates loans to military personnel through imposing interest rate and other limitations and requiring new disclosures, all as regulated by the Department of Defense. Similarly, in 2009, Congress enacted legislation that required changes to a variety of marketing, billing, and collection practices, and the Federal Reserve adopted significant changes to a number of practices through its issuance of regulations. Badcock originated the transactions that underlie ~~the~~ **our** receivables **investments and any others** we ~~have purchased and~~ may **make** ~~continue to purchase~~ . Furthermore, we rely on Badcock to service our receivables portfolio. We depend on Badcock to comply with all applicable laws and regulations applicable to our receivables portfolio, and for Badcock to adapt to changing laws and regulations. Furthermore, if Badcock becomes unable or unwilling to continue to service our receivables portfolio, we will likely need to engage another third party to provide such services, which could cause us to incur unanticipated costs. Changes in the consumer protection laws could result in the following: • receivables not originated in compliance with law (or revised interpretations) could become unenforceable and uncollectible under their terms against the obligors; • the servicer may be required to credit or refund previously collected amounts, resulting in a reduction in amounts paid to us; • certain fees and finance charges could be limited, prohibited, or restricted, reducing the profitability of certain investments in receivables; • certain collection methods could be prohibited, forcing the parties that service our receivables portfolio to revise their practices or adopt more costly or less effective practices; • limitations on the servicer' s ability to recover on charged- off receivables regardless of any act or omission on their or our part; • some credit products and services could be banned in certain states or at the federal level; • federal or state bankruptcy or debtor relief laws could offer additional protections to consumers seeking bankruptcy protection, providing a court greater leeway to reduce or discharge amounts owed; and • a reduction in our ability or willingness to invest in receivables arising under loans to certain consumers, such as military personnel. Risks Related to our Auction and Liquidation Activities In many instances, in order to secure an engagement, we are required to bid for that engagement by guaranteeing to the client a minimum amount that such client will receive from the sale of inventory or assets. Our bid is based on a variety of factors, including: our experience, expertise, perceived value added by engagement, valuation of the inventory or assets and the prices we believe potential buyers would be willing to pay for such inventory or assets. An inaccurate estimate of any of the above or inaccurate valuation of the assets or inventory could result in us submitting a bid that exceeds the realizable proceeds from any engagement. If the liquidation proceeds, net of direct operating expenses, are less than the amount we guaranteed in our bid, we will incur a loss. Therefore, in the event that the proceeds, net of direct operating expenses, from an engagement are less than the bid, the value of the assets or inventory decline in value prior to the disposition or liquidation, or the assets are overvalued for any reason, we may suffer a loss and our financial condition and results of operations could be adversely affected. Losses due to any auction or liquidation engagement may cause us to become unable to make payments due to our creditors and may cause us to default on our debt obligations. We have three engagement structures for our auction and liquidation services: (i) a " fee " based structure under which we are compensated for our role in an engagement on a commission basis, (ii) purchase on an outright basis (and take title to) the assets or inventory of the client, and (iii) " guarantee " to the client that a certain amount will be realized by the client upon the sale of the assets or inventory based on contractually defined terms in the auction or liquidation contract. We bear the risk of loss under the purchase and guarantee structures of auction and liquidation contracts. If the amount realized from the sale or disposition of assets, net of direct operating expenses, does not equal or exceed the purchase price (in purchase transaction), we will recognize a loss on the engagement, or should the amount realized, net of direct operating expenses, not equal or exceed the " guarantee, " we are still required to pay the guaranteed amount to the client. We could incur losses in connection with outright purchase transactions in which we engage as part of our auction and liquidation solutions business. When we conduct an asset disposition or liquidation on an outright purchase basis, we purchase from the client the assets or inventory to be sold or liquidated and therefore, we hold title to any assets or inventory that we are not able to sell. In other situations, we may acquire assets from our clients if we believe that we can identify a potential buyer and sell the assets at a premium to the price paid. We store these unsold or acquired assets and inventory until they can be sold or, alternatively, transported to the site of a liquidation of comparable assets or inventory that we are conducting. If we are forced to sell these assets for less than we paid, or are required to transport and store assets multiple times, the related expenses could have a material adverse effect on our results of operations. We could be forced to mark down the value of certain assets acquired in connection with outright purchase transactions. In most instances, inventory is reported on the balance sheet at its historical cost; however, according to U. S. Generally Accepted Accounting Principles, inventory whose historical cost exceeds its market value should be valued conservatively, which dictates a lower value should apply. Accordingly, should the replacement cost (due to technological obsolescence or otherwise), or the net realizable value of any inventory we hold be less than the cost paid to acquire such inventory (purchase price), we will be required to " mark down " the value of such inventory held. If the value of any inventory held on our balance sheet is required to be written down, such write down could have a material adverse effect on our financial position and results of operations. We frequently use borrowings under credit facilities in connection with our guaranty engagements, in which we guarantee a minimum recovery to the client, and outright purchase transactions. In engagements where we operate on a guaranty or purchase basis, we are typically required to make an upfront payment to the client. If the upfront payment is less than 100 % of the guarantee or the purchase price in a " purchase " transaction, we may be required to make successive cash payments until the guarantee is met or we may issue a letter of credit in favor of the client. Depending on the size and structure of the engagement, we may borrow under our credit facilities and may be required to issue a letter of credit in favor of the client for these additional amounts. If we lose any availability under our credit facilities, are unable to borrow under credit facilities and / or issue letters of credit in favor of clients, or borrow under credit facilities and / or issue letters of credit on commercially reasonable terms, we may be unable to pursue large liquidation and disposition engagements, engage in multiple concurrent engagements, pursue new engagements or expand our operations. We are required to obtain approval from the lenders under our existing credit facilities prior to making any borrowings thereunder in connection with a particular engagement. Any inability to borrow under our credit facilities, or enter into one or more other credit facilities on commercially reasonable terms may have a material adverse effect on our financial condition, results of operations and growth. Defaults under our credit agreements could have an adverse impact on our ability to finance potential engagements. The terms of our credit agreements contain a number of events of default. Should we default under any of our credit agreements in the future, lenders may take any or all remedial actions set forth in such credit agreement, including, but not limited to, accelerating payment and / or charging us a default rate of interest on all outstanding amounts, refusing to make any further advances or issue letters of credit, or terminating the line of credit. As a result of our reliance on lines of credit and letters of credit, any default under a credit agreement, or remedial actions pursued by lenders following any default under a credit agreement, may require us to immediately repay all outstanding amounts, which may preclude us from pursuing new liquidation and disposition engagements and may increase our cost of capital, each of which may have a material adverse effect on our financial condition and results of operations. Risks Related to Our Financial Consulting Activities A majority of the revenue from our financial consulting business is derived from engagements by financial institutions. As a result, any loss of financial institutions as clients of our valuation and advisory services, whether due to changing preferences in service providers, failures of financial institutions or mergers and consolidations within the finance industry, could significantly reduce the number of existing, repeat and potential clients, thereby adversely affecting our revenues. In addition, any larger financial institutions that result from mergers or consolidations in the financial services industry could have greater leverage in negotiating terms of engagements with us, or could decide to internally perform some or all of the financial consulting services which we currently provide to one of the constituent institutions involved in the merger or consolidation or which we could provide in the future. Any of these developments could have a material adverse effect on our financial consulting business. We may face liability or harm to our reputation as a result of a claim that we provided an inaccurate appraisal or valuation and our insurance coverage may not be sufficient to cover the liability. We could face liability in connection with a claim by a client that we provided an inaccurate appraisal or valuation on which the client relied. Any claim of this type, whether with or without merit, could result in costly litigation, which could divert management' s attention and company resources and harm our reputation. Furthermore, if we are found to be liable, we may be required to pay damages. While our appraisals and valuations are typically provided only for the benefit of our clients, if a third party relies on an appraisal or valuation and suffers harm as a result, we may become subject to a legal claim, even if the claim is without merit. We carry insurance for liability resulting from errors or omissions in connection with our appraisals and valuations; however, the coverage may not be sufficient if we are found to be liable in connection with a claim by a client or third party. Risks Related to our Asset Management Business Revenues from our asset management business are primarily derived from asset management fees. Asset management fees are generally comprised of management and incentive fees. Management fees are typically based on assets under management, and incentive fees are earned on a quarterly or annual basis only if the return on our managed accounts exceeds a certain threshold return, or " highwater mark, " for each investor. We will not earn incentive fee income during a particular period, even when a fund had positive returns in that period, if we do not generate cumulative performance that surpasses a highwater mark. If a fund experiences losses, we will not earn incentive fees with regard to investors in that fund until its returns exceed the relevant highwater mark. In addition, investment performance is one of the most important factors in retaining existing investors and competing for new asset management business. Investment performance may be poor as a result of the current or future difficult market or economic conditions, including changes in interest rates ~~, with increases anticipated in 2023,~~ or inflation ~~, which continues to be an ongoing concern going into 2023~~ , acts of war, aggression or terrorism, widespread outbreaks of disease, such as the COVID- 19 pandemic or similar pandemics, or political uncertainty, our investment style, the particular investments that we make, and other factors. Poor investment performance may result in a decline in our revenues and income by causing (i) the net asset value of the assets under our management to decrease, which would result in lower management fees to us, (ii) lower investment returns, resulting in a reduction of incentive fee income to us, and (iii) investor redemptions, which would result in lower fees to us because we would have fewer assets under management. To the extent our future investment performance is perceived to be poor in either relative or absolute terms, the revenues and profitability of our asset management business will likely be reduced and our ability to grow existing funds and raise new funds in the future will likely be impaired. The historical returns of our funds may not be indicative of the future results of our funds. The historical returns of our funds should not be considered indicative of the future results that should be expected from such funds or from any future funds we may raise. Our rates of returns reflect unrealized gains, as of the applicable measurement date, which may never be realized due to changes in market and other conditions not in our control that may adversely affect the ultimate value realized from the investments in a fund. The returns of our funds may have also benefited from investment opportunities and general market conditions that may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities. Furthermore, the historical and potential future returns of the funds we manage also may not necessarily bear any relationship to potential returns on our common stock. We are subject to risks in using custodians. Our asset management subsidiary and its managed funds depend on the services of custodians to settle and report securities transactions. In the event of the insolvency of a custodian, our funds might not be able to recover equivalent assets in whole or in part as they will rank among the custodian' s unsecured creditors in relation to assets which the custodian borrows, lends or otherwise uses. In addition, cash held by our funds with the custodian will not be segregated from the custodian' s own cash, and the funds will therefore rank as unsecured creditors in relation thereto. We manage debt investments that involve significant risks and potential additional liabilities. GACP I., L. P. and GACP II, L. P., both direct lending funds of which our wholly owned subsidiary GACP is the general partner, and which are managed by WhiteHawk Capital Partners, L. P., a limited partnership controlled by Mr. J. Ahn, who is the brother of Phil Ahn, the Company' s Chief Financial Officer and Chief Operating Officer, pursuant to an investment advisory services agreement, may invest in secured debt issued by companies that have or may incur additional debt that is senior to the secured debt owned by the fund. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of any such company, the owners of senior secured debt (i. e., the owners of first priority liens) generally will be entitled to receive proceeds from any realization of the secured collateral until they have been reimbursed. At such time, the owners of junior secured debt (including, in certain circumstances, the fund) will be entitled to receive proceeds from the realization of the collateral securing such debt. There can be no assurances that the proceeds, if any, from the sale of such collateral would be sufficient to satisfy the loan obligations secured by subordinate debt instruments. To the extent that the fund owns secured debt that is junior to other secured debt, the fund may lose the value of its entire investment in such secured debt. In addition, the fund may invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy, which can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other debt products. Risks Related to Our Communications Businesses A significant portion of UOL' s 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. ~~Failure to maintain advertising revenues from UOL, including as a result of failing to increase or maintain the number of subscribers for UOL' s services, could have a negative impact on advertising profitability. Advertising revenues are a key component of revenues and profitability from UOL. UOL' s services currently generate advertising revenues from search placements, display advertisements and online market research associated with Internet access and email services. Factors that have caused, or may cause in the future, UOL' s advertising revenues to fluctuate include, without limitation, changes in the number of visitors to UOL' s websites, active accounts or consumers purchasing our services and products, the effect of, changes to, or terminations of key advertising relationships, changes to UOL' s websites and advertising inventory, changes in applicable laws, regulations or business practices, including those related to behavioral or targeted advertising, user privacy, and taxation, changes in business models, changes in the online advertising market, changes in the economy, advertisers' budgeting and buying patterns, competition, and changes in usage of UOL' s services. Decreases in UOL' s advertising revenues are likely to adversely impact our profitability. Further, 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.~~ Our marketing efforts for our communications businesses may not be successful or may become more expensive, either of which could increase our costs and adversely impact our business, financial condition, results of operations, and cash flows. We rely on relationships with a wide variety of third parties, including Internet search providers such as Google, social networking platforms such as Facebook, Internet advertising networks, co- registration partners, retailers, distributors, television advertising agencies, and direct marketers, to source new customers and to promote or distribute our services and products. In addition, in connection with the launch of new services or products for our communications businesses, we may spend a significant amount of resources on marketing. With any of our brands, services, and products, if our marketing activities are inefficient or unsuccessful, if important third- party relationships or marketing strategies, such as Internet search engine marketing and search engine optimization, become more expensive or unavailable, or are suspended, modified, or terminated, for any reason, if there is an increase in the proportion of consumers visiting our websites or purchasing our services and products by way of marketing channels with higher marketing costs as compared to channels that have lower or no associated marketing costs, or if our marketing efforts do not result in our services and products being prominently ranked in Internet search listings, our business, financial condition, results of operations, and cash flows could be materially and adversely impacted. Our communications businesses are dependent on the availability of telecommunications services and compatibility with third- party systems and products. Our communications businesses substantially depend on the availability, capacity, affordability, reliability, and security of telecommunications networks operated by third parties. Only a limited number of telecommunications providers offer the network and data services we currently require for our services, and we purchase most of our telecommunications services from a few providers. Some of our telecommunications services are provided pursuant to short- term agreements that the providers can terminate or elect not to renew. In addition, some telecommunications providers may cease to offer network services for certain less populated areas, which would reduce the number of providers from which we may purchase services and may entirely eliminate our ability to purchase services for certain areas. Currently, ~~our~~ **the** mobile ~~broadband~~ **network** service of our ~~UOL~~ **Marconi Wireless** business is entirely dependent upon services acquired from one service provider ~~, and the devices required by the provider can be used for only such provider' s service~~ . If we are unable to maintain, renew or obtain a new agreement with the telecommunications provider on acceptable terms, or the provider discontinues its services, our business, financial condition, results of operations, and cash flows could be materially and adversely affected. Our dial- up Internet access services of our UOL business also rely on their compatibility with other third- party systems, products and features, including operating systems. Incompatibility with third- party systems and products could adversely affect our ability to deliver our services or a user' s ability to access our services and could also adversely impact the distribution channels for our services. Our dial- up Internet access services are dependent on dial- up modems and an increasing number of computer manufacturers, including certain manufacturers with whom we have distribution relationships, do not pre- load their new computers with dial- up modems, requiring the user to separately acquire a modem to access our services. We cannot assure you that, as the dial- up Internet access market declines and new technologies emerge, we will be able to continue to effectively distribute and deliver our services. Government regulations could adversely affect our business or force us to change our business practices. The services we provide are subject to varying degrees of international, federal, state and local laws and regulation, including, without limitation, those relating to taxation, bulk email or " spam, " advertising (including, without limitation, targeted or behavioral advertising), user privacy and data protection, consumer protection, antitrust, export, and unclaimed property. Compliance with such laws and regulations, which in many instances are unclear or unsettled, is complex. New laws and regulations, such as those being considered or recently enacted by certain states, the federal government, or international authorities related to automatic- renewal practices, spam, user privacy, targeted or behavioral advertising, and taxation, could impact our revenues or certain of our business practices or those of our advertisers. Moreover, distribution partners or customers may require us, or we may otherwise deem it necessary or advisable, to alter our products to address actual or anticipated changes in the regulatory environment. Our inability to alter our products to address these requirements and any regulatory changes could have a material adverse effect on our business, financial condition, and operating results. The current regulatory environment for broadband telephone services is developing and therefore uncertain. The United States and other countries have begun to assert regulatory authority over broadband telephone service and are continuing to evaluate how broadband telephone service will be regulated in the future. Both the application of existing rules to us and our competitors and the effects of future regulatory developments are uncertain. Future legislative, judicial or other regulatory actions could have a negative effect on our business, which may involve significant compliance costs and require that we restructure our service offerings, exit certain markets, or increase our prices to recover our regulatory costs, any of which could cause our services to be less attractive to customers. Regulatory and governmental agencies may determine that we should be subject to rules applicable to certain broadband telephone service providers or seek to impose new or increased fees, taxes, and administrative burdens on broadband telephone service providers. We also may change our product and service offerings in a manner that subjects us to greater regulation and taxation. We are faced, and may continue to face, difficulty collecting such charges from our customers and / or carriers, and collecting such charges may cause us to incur legal fees. We may be unsuccessful in collecting all of the regulatory fees owed to us. The imposition of any such additional regulatory fees, charges, taxes and regulations on VoIP communications services could materially increase our costs and may limit or eliminate our competitive pricing advantages. We offer our magicJack products and services in other countries, and therefore could also be subject to regulatory risks in each such foreign jurisdiction, including the risk that regulations in some jurisdictions will prohibit us from providing our services cost- effectively or at all, which could limit our growth. Currently, there are several countries where regulations prohibit us from offering service. In addition, because customers can use our services almost anywhere that a broadband Internet connection is available, including countries where providing broadband telephone service is illegal, the governments of those countries may attempt to assert jurisdiction over us. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products and services in one or more countries, could delay or prevent potential acquisitions, expose us to significant liability and regulation and could also materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. Our success depends, in part, on our ability to anticipate these risks and manage these difficulties. Broadband Internet access is currently classified by the FCC as an " information service. " While this classification means that broadband Internet access services are not subject to Universal Service Fund (" USF ") contributions, Congress or the FCC may expand the USF contribution obligations to include broadband Internet access services. If broadband Internet access providers become subject to USF contribution obligations, it would likely raise the effective cost of our services to customers, which could adversely affect customer satisfaction and have an adverse impact on our revenues and profitability. We are faced, and may continue to face, difficulty collecting regulatory charges from our customers and / or carriers and collecting such charges may cause us to incur legal fees. We may be unsuccessful in collecting all the regulatory fees owed to us. The imposition of any such additional regulatory fees, charges, taxes and regulations on our services could materially increase our costs and may limit or eliminate our competitive pricing advantages. Failure to remit regulatory fees, charges and taxes 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 our communications businesses specifically. Any changes in the laws and regulations applicable to our communications businesses, the enactment of any additional laws or regulations, or the failure to comply with, or increased enforcement activity by regulators of, such laws and regulations, could significantly impact our services and products, our costs, or the manner in which we or our advertisers conduct business, all of which could adversely impact our business, financial condition, results of operations, and cash flows and cause our business to suffer. 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. Increases in credit card processing fees and high chargeback costs would increase our operating expenses and adversely affect our results of operations, and an adverse change in, or the termination of, our relationship with any major credit card company would have a severe, negative impact on our business. A significant number of our communications customers purchase their products through our websites and pay for our communications products and services using credit or debit cards. The major credit card companies or the issuing banks may increase the fees that they charge for transactions using their cards. An increase in those fees would require us to either increase the prices we charge for our products, or suffer a negative impact on our profitability, either of which could adversely affect our business, financial condition and results of operations. We have potential liability for chargebacks associated with the transactions we process, or that are processed on our behalf by merchants selling our products. If a customer returns his or her products at any time, or claims that our product was purchased fraudulently, the returned product is " charged back " to magicJack or its bank, as applicable. If we or our sponsoring banks are unable to collect the chargeback from the merchant' s account, or, if the merchant refuses or is financially unable, due to bankruptcy or other reasons, to reimburse the merchant' s bank for the chargeback, we bear the loss for the amount of the refund paid. We are vulnerable to credit card fraud, as we sell communications products and services directly to customers through our website. Card fraud occurs when a customer uses a stolen card (or a stolen card number in a card- not- present- transaction) to purchase merchandise or services. In a traditional card- present transaction, if the merchant swipes the card, receives authorization for the transaction from the card issuing bank and verifies the signature on the back of the card against the paper receipt signed by the customer, the card issuing bank remains liable for any loss. In a fraudulent card- not- present transaction, even if the merchant or we receive authorization for the transaction, we or the merchant are liable for any loss arising from the transaction. Because sales made directly from our websites are card- not- present transactions, we are more vulnerable to customer fraud. We are also subject to acts of consumer fraud by customers that purchase our products and services and subsequently claim that such purchases were not made. In addition, as a result of high chargeback rates or other reasons beyond our control, the credit card companies or issuing bank may terminate their relationship with us, and there are no assurances that it will be able to enter into a new credit card processing agreement on similar terms, if at all. Upon a termination, if our credit card processor does not assist it in transitioning its business to another credit card processor, or if we were not able to obtain a new credit card processor, the negative impact on the liquidity of our communications businesses likely would be significant. The credit card processor may also prohibit us from billing discounts annually or for any other reason. Any increases in the credit card fees paid by our communications businesses could adversely affect our results of operations, particularly if we elect not to raise our service rates to offset the increase. The termination of our ability to process payments on any major credit or debit card, due to high chargebacks or otherwise, would significantly impair our ability to operate our business. Flaws in our technology and systems could cause delays or interruptions of service, damage our reputation, cause us to lose customers and limit our growth. Our communications services could be disrupted by problems with our technology and systems, such as malfunctions in our software or other facilities and overloading of our servers. Our customers could experience interruptions in the future as a result of these types of problems. Interruptions could in the future cause us to lose customers, which could adversely affect our revenue and profitability. In addition, because our systems and our customers' ability to use our services are Internet- dependent, our services may be subject to “ hacker attacks ” from the Internet, which could have a significant impact on our systems and services. If service interruptions adversely affect the perceived reliability of our service, it may have difficulty attracting and retaining customers and our brand reputation and growth may suffer. We rely on independent retailers to sell the magicJack devices, and disruption to these channels would harm our business. Because we sell a significant amount of the magicJack devices, other devices and certain services to independent retailers, we are subject to many risks, including risks related to their inventory levels and support for magicJack’ s products. In particular, magicJack’ s retailers may maintain significant levels of our products in their inventories. If retailers attempt to reduce their levels of inventory or if they do not maintain sufficient levels to meet customer demand, our sales could be negatively impacted. The retailers who sell magicJack products also sell products offered by its competitors. If these competitors offer the retailers more favorable terms, those retailers may de- emphasize or decline to carry magicJack’ s products. In the future, we may not be able to retain or attract a sufficient number of qualified retailers. If we are unable to maintain successful relationships with retailers or to expand our distribution channels, our business will suffer. To continue this method of sales, we will have to allocate resources to train vendors, systems integrators and business partners as to the use of our products, resulting in additional costs and additional time until sales by such vendors, systems integrators and business partners are made feasible. Our business depends to a certain extent upon the success of such channels and the broad market acceptance of our products. To the extent that our channels are unsuccessful in selling our products, our revenues and operating results will be adversely affected. If magicJack fails to maintain relationships with these channels, fails to develop new channels, fails to effectively manage, train, or provide incentives to existing channels or if these channels are not successful in their sales efforts, sales of magicJack’ s products may decrease and our operating results would suffer. The success of our business relies on customers’ continued and unimpeded access to broadband service. Providers of broadband services may be able to block our services or charge their customers more for also using our services, which could adversely affect our revenue and growth. Our customers must have broadband access to the Internet in order to use our service. Providers of broadband access, some of whom are also competing providers of broadband voice services, may take measures that affect their customers’ ability to use our service, such as degrading the quality of the data packets they transmit over their lines, giving those packets low priority, giving other packets higher priority than ours, blocking our packets entirely or attempting to charge their customers more for also using our services. In December 2017, the FCC rescinded rules that, among other things, prohibited broadband Internet access providers from blocking, throttling, or otherwise degrading the quality of data packets, or attempting to extract additional fees from edge service providers. In October 2019, the D. C. Circuit largely upheld the FCC decision. Although some states, most notably California, have adopted prohibitions similar to those rescinded by the FCC, if broadband providers block, throttle or otherwise degrade the quality of our data packets or attempt to extract additional fees from us or our customers, it could adversely impact our business. Risks Related to Our Consumer **Products** Segment If Targus fails to innovate and develop new products in a timely and cost- effective manner for its new and existing product categories, our business and operating results could be adversely affected. Targus product categories are characterized by short product life cycles, intense competition, frequent new product introductions, rapidly changing technology, dynamic consumer demand and evolving industry standards. As a result, we must continually innovate in our new and existing product categories, introduce new products and technologies, and enhance existing products in order to remain competitive. The success of our product portfolio depends on several factors, including our ability to: • Identify new features, functionality and opportunities; • Anticipate technology, market trends and consumer preferences; • Develop innovative, high- quality, and reliable new products and enhancements in a cost- effective and timely manner; • Distinguish our products from those of our competitors; and • Offer our products at prices and on terms that are attractive to our customers and consumers. If we do not execute on these factors successfully, products that we introduce or technologies or standards that we adopt may not gain widespread commercial acceptance, and our business and operating results could suffer. In addition, if we do not continue to differentiate our products through distinctive, technologically advanced features, designs, and services that are appealing to our customers and consumers, as well as continue to build and strengthen our brand recognition and our access to distribution channels, our business could be adversely affected. The development of new products and services can be very difficult and requires high levels of innovation. The development process also can be lengthy and costly. There are significant initial expenditures for research and development, tooling, manufacturing processes, inventory, and marketing, and we may not be able to recover those investments. If we fail to accurately anticipate technological trends or our users’ needs or preferences, are unable to complete the development of products and services in a cost- effective and timely fashion, or are unable to appropriately increase production to fulfill customer demand, we will be unable to successfully introduce new products and services into the market or compete with other providers. Even if we complete the development of our new products and services in a cost- effective and timely manner, they may not be competitive with products developed by others, they may not achieve acceptance in the market at anticipated levels or at all, they may not be profitable or, even if they are profitable, they may not achieve margins as high as our expectations or as high as the margins we have achieved historically. As we introduce new or enhanced products, integrate new technology into new or existing products, or reduce the overall number of products offered, we face risks including, among other things, disruption in customers’ ordering patterns, excessive levels of new and existing product inventories, revenue deterioration in our existing product lines, insufficient supplies of new products to meet customers’ demand, possible product and technology defects, and a potentially different sales and support environment. Premature announcements or leaks of new products, features or technologies may exacerbate some of these risks by reducing the effectiveness of our product launches, reducing sales volumes of current products due to anticipated future products, making it more difficult to compete, shortening the period of differentiation based on our product innovation, straining relationships with our partners or increasing market expectations for the results of our new products before we have had an opportunity to demonstrate the market viability of the products. Our failure to manage the transition to new products and services or the integration of new technology into new or existing products and services could adversely affect our business, results of operations, operating cash flows and financial condition. We rely on third parties to sell and distribute our products, and we rely on their information to manage our business. Targus primarily sells products to a network of distributors, retailers and e- tailers (together with our direct sales channel partners). We are dependent on those direct sales channel partners to distribute and sell our products to indirect sales channel partners and ultimately to consumers. The sales and business practices of all such sales channel partners, their compliance with laws and regulations, and their reputations- of which we may or may not be aware- may affect our business and our reputation. Our sales channel partners also sell products offered by our competitors and in the case of retailer house brands and original equipment manufacturers, may also be our competitors. If product competitors offer our sales channel partners more favorable terms, have more products available to meet their needs, or utilize the leverage of broader product lines sold through the channel, or if our sales channel partners show preference for their own house brands, our sales channel partners may de- emphasize or decline to carry our products. In addition, certain of our sales channel partners could decide to de- emphasize the product categories that we offer in exchange for other product categories that they believe provide them with higher returns. If we are unable to maintain successful relationships with these sales channel partners or to maintain our distribution channels, our business will suffer. As we expand into new product categories and markets in pursuit of growth, we will have to build relationships with new channel partners and adapt to new distribution and marketing models. These new partners, practices, and models may require significant management attention and operational resources and may affect our accounting, including revenue recognition, gross margins, and the ability to make comparisons from period to period. Entrenched and more experienced competitors will make these transitions difficult. If we are unable to build successful distribution channels or successfully market our products in these new product categories, we may not be able to take advantage of the growth opportunities, and our business and our ability to grow our business could be adversely affected. We reserve for cooperative marketing arrangements, incentive programs, and pricing programs with our sales channel partners. These reserves are based on judgments and estimates, using historical experience rates, inventory levels in distribution, current trends, and other factors. There could be significant differences between the actual costs of such arrangements and programs and our estimates. We use sell- through data, which represents sales of our products by our direct retailer and e- tailer customers to consumers, and by our distributor customers to their customers, along with other metrics, to assess consumer demand for our products. Sell- through data is subject to limitations due to collection methods and the third- party nature of the data and thus may not be an accurate indicator of actual consumer demand for our products. The customers supplying sell- through data vary by geographic region and from period to period, but typically represent a majority of our retail sales. In addition, we rely on channel inventory data from our sales channel partners. If we do not receive this information on a timely and accurate basis, if this information is not accurate, or if we do not properly interpret this information, our results of operations and financial condition may be adversely affected. Targus' business is heavily reliant on the general demand for IT and personal computer- related devices. Targus' business of selling products that relate primarily to the computer accessory markets makes our business performance sensitive to the general demand for IT and personal computer- related devices. As such, declines in the overall demand for personal computers and tablet devices can directly impact the demand for our accessory products as often our products are sold as an attachment to the original equipment manufacturer device that is being sold. **Risks Related to Our Brands Portfolio** Our brand investment portfolio revenues are dependent on royalty payments made to us under our license agreements. Although some of our license agreements guarantee a minimum royalty payment to us each year, the failure of our licensees to satisfy these or the other obligations under their agreements with us, their decision to not renew their agreements with us or their inability to grow or maintain their sales of products bearing our brands or their businesses generally could cause our revenues to decline. These events or circumstances could occur for a variety of reasons, many of which are outside our control, including business and operational risks that impact our licensees' ability to make payments and sell products generally, such as obtaining and maintaining desirable store locations and consumer acceptance and presence; retaining key personnel, including the specific individuals who work on sales and marketing for products bearing our brands; and liquidity and capital resources risks. The failure by any of our key licensees or the concurrent failure by several licensees to meet their financial obligations to us or to renew their respective license agreements with us could materially and adversely impact our results of operations and our financial condition. Risks Related to Competition We **operate in highly competitive industries. Some of our competitors may have certain competitive advantages, which may cause us to be unable to effectively compete with or gain market share from our competitors. We** face competition with respect to all of our service and product areas. The level of competition depends on the particular service or product area and, in the case of our asset and liquidation services, the category of assets being liquidated or appraised. We compete with other companies and investment banks to help clients with their corporate finance and capital needs. In addition, we compete with companies and online services in the bidding for assets and inventory to be liquidated. The demand for online solutions continues to grow and our online competitors include other e- commerce providers, auction websites such as eBay, as well as government agencies and traditional liquidators and auctioneers that have created websites to further enhance their product offerings and more efficiently liquidate assets. We expect the market to become even more competitive as the demand for such services continues to increase and traditional and online liquidators and auctioneers continue to develop online and offline services for disposition, redeployment and remarketing of wholesale surplus and salvage assets. In addition, manufacturers, retailers and government agencies may decide to create their own websites to sell their own surplus assets and inventory and those of third parties. We also compete with other providers of valuation and advisory services. Competitive pressures within the Financial Consulting and other Advisory Services and real estate services markets, including a decrease in the number of engagements and / or a decrease in the fees which can be charged for these services, could affect revenues from our Financial Consulting and other Advisory Services and real estate services as well as our ability to engage new or repeat clients. We believe that given the relatively low barriers to entry in the Financial Consulting and other Advisory Services and real estate services markets, these markets may become more competitive as the demand for such services increases. Some of our competitors may be able to devote greater financial resources to marketing and promotional campaigns, secure merchandise from sellers on more favorable terms, adopt more aggressive pricing or inventory availability policies and devote more resources to website and systems development than we are able to do. Any inability on our part to effectively compete could have a material adverse effect on our financial condition, growth potential and results of operations. We compete with specialized investment banks to provide financial and investment banking services to small and middle- market companies. Middle- market investment banks provide access to capital and strategic advice to small and middle- market companies in our target industries. We compete with those investment banks on the basis of a number of factors, including client relationships, reputation, the abilities of our professionals, transaction execution, innovation, price, market focus and the relative quality of our products and services. We have experienced intense competition over obtaining advisory mandates in recent years, and we may experience pricing pressures in our investment banking business in the future as some of our competitors seek to obtain increased market share by reducing fees. Competition in the middle- market may further intensify if larger Wall Street investment banks expand their focus to this sector of the market. Increased competition could reduce our market share from investment banking services and our ability to generate fees at historical levels. We also face increased competition due to a trend toward consolidation. In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. This trend was amplified in connection with the unprecedented disruption and volatility in the financial markets during the past several years, and, as a result, a number of financial services companies have merged, been acquired or have fundamentally changed their respective business models. Many of these firms may have the ability to support investment banking, including financial advisory services, with commercial banking, insurance and other financial services in an effort to gain market share, which could result in pricing pressure in our businesses. The businesses in our communications segment compete ~~competes~~ with numerous communications 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. magicJack, Lingo, and BullsEye compete with the traditional telephone service providers, which provide telephone service using the public switched telephone network. Certain of these traditional providers have also added, or are planning to add, broadband telephone services to their existing telephone and broadband offerings. We also face, or expect to face, competition from cable companies, which offer broadband telephone services to their existing cable television and broadband offerings. Further, wireless providers offer services that some customers may prefer over wireline- based service. In the future, as wireless companies offer more minutes at lower prices, their services may become more attractive to customers as a replacement for broadband or wireline- based phone service. We face competition on magicJack device sales from manufacturers of smart phones, tablets and other handheld wireless devices. Also, we compete against established alternative voice communication providers, and may face competition from other large, well- capitalized Internet companies. In addition, we compete with independent broadband telephone service providers. Our ~~consumer~~ **Consumer Products** segment ~~, consisting of Targus and our brand investment portfolio~~ , competes with companies that make consumer retail products and / or own other brands and trademarks. Targus operates in an intensely competitive marketplace along with many other makers of consumer and enterprise productivity products. ~~With respect to our brand investment portfolio, other brand licensors could enter into similar licensing arrangements with retailers and wholesalers in the United States and internationally. These arrangements could be with our existing retail and wholesale partners, thereby competing with us for consumer attention and limited floor or rack space in the same stores in which our branded products are sold, and vying with us for the time and resources of the retailers and wholesale licensees that manufacture and distribute our products.~~ Competitors to our ~~consumer~~ **Consumer Products** segment may be able to respond more quickly to changes in retailer, wholesaler and consumer preferences and devote greater resources to brand acquisition, development and marketing. If we are unable to attract and retain qualified personnel, we may not be able to compete successfully in our industry. Our future success depends to a significant degree upon the continued contributions of senior management and the ability to attract and retain other highly qualified management personnel. We face competition for management from other companies and organizations; therefore, we may not be able to retain our existing personnel or fill new positions or vacancies created by expansion or turnover at existing compensation levels. Although we have entered into employment agreements with key members of the senior management team, there can be no assurances such key individuals will remain with us. The loss of any of our executive officers or other key management personnel would disrupt our operations and divert the time and attention of our remaining officers and management personnel which could have an adverse effect on our results of operations and potential for growth. We also face competition for highly skilled employees with experience in the industries in which we operate, and some of which requires a unique knowledge base. We may be unable to recruit or retain existing technical, sales and client support personnel that are critical to our ability to execute our business plan, with such difficulties exacerbated by the labor shortages that arose during the COVID- 19 pandemic and persist throughout the economy. Risks Related to Data Security and Intellectual Property ~~In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, clients and business partners, and personally identifiable information of our employees, in our servers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure is vulnerable to attacks by hackers or breach due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties. In addition, such a breach could disrupt our operations and the services we provide to our clients, damage our reputation, and cause a loss of confidence in our services, which could adversely affect our business and our financial condition. Significant disruptions of information technology systems, breaches of data security, or unauthorized disclosures of sensitive data or personally identifiable information could adversely affect our business, and could subject us to liability or reputational damage.~~ Our business is increasingly dependent on critical, complex, and interdependent information technology (" IT ") systems, including

Internet- based systems, some of which are managed or hosted by third parties, to support business processes as well as internal and external communications. The size and complexity of our IT systems make us vulnerable to, and we have experienced, IT system breakdowns, malicious intrusion, and computer viruses, which may result in the impairment of our ability to operate our business effectively. In addition, our systems and the systems of our third- party providers and collaborators are potentially vulnerable to data security breaches which may expose sensitive data to unauthorized persons or to the public. Such data security breaches could lead to the loss of confidential information, trade secrets or other intellectual property, or could lead to the public exposure of personal information (including personally identifiable information) of our employees, customers, business partners, and others **. For example, on April 5, 2024, Targus discovered that a threat actor gained unauthorized access to certain of Targus' file systems. This matter, as well as our cybersecurity policies and procedures, is discussed in greater detail in Item 1C of Part I, " Cybersecurity "** . In addition, the increased use of social media by our employees and contractors could result in inadvertent disclosure of sensitive data or personal information, including but not limited to, confidential information, trade secrets and other intellectual property. Any such disruption or security breach, as well as any action by us or our employees or contractors that might be inconsistent with the rapidly evolving data privacy and security laws and regulations applicable within the United States and elsewhere where we conduct business, could result in enforcement actions by U. S. states, the U. S. Federal government or foreign governments, liability or sanctions under data privacy laws that protect personally identifiable information, regulatory penalties, other legal proceedings such as but not limited to private litigation, the incurrence of significant remediation costs, disruptions to our development programs, business operations and collaborations, diversion of management efforts and damage to our reputation, which could harm our business and operations. Because of the rapidly moving nature of technology and the increasing sophistication of cybersecurity threats, our measures to prevent, respond to and minimize such risks may be unsuccessful. In addition, the European Parliament and the Council of the European Union adopted a comprehensive general data privacy regulation (" GDPR ") in 2016 that took effect in ~~May~~ 2018 and governs the collection and use of personal data in the European Union. The GDPR, which is wide- ranging in scope, ~~will impose~~ **imposes** several requirements relating to the consent of the individuals to whom the personal data relates, the information provided to the individuals, the security and confidentiality of the personal data, data breach notification **requirements** and the use of third party processors in connection with the processing of the personal data. The GDPR also imposes strict rules on the transfer of personal data out of the European Union to the United States, enhances enforcement authority and imposes large penalties for noncompliance, including the potential for fines of up to € 20 million or 4 % of the annual global revenues of the infringer, whichever is greater. In addition, the California Consumer Privacy Act effective since January 1, 2020 applies to for-profit businesses that conduct business in California and meet certain revenue or data collection thresholds. The CCPA established new requirements regarding handling of personal data to entities serving or employing California residents, and gave consumers the right to request disclosure of information collected about them, and whether that information has been sold or shared with others, the right to request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of the consumer' s personal information, and the right not to be discriminated against for exercising these rights. Such rights **were** ~~will be~~ expanded under the California Privacy Rights Act (" CPRA ") **which went** ~~once it goes~~ into effect on January 1, 2023. In addition, similar laws have and may be adopted by other states where the Company does business. The impact of the CCPA and other state privacy laws on the Company' s business is yet to be determined **. We may be unsuccessful in protecting our proprietary rights or may have to defend ourselves against claims of infringement, which could impair or significantly affect our business** . Our future success depends in part on our proprietary technology, technical know- how, and other intellectual property. We rely on a combination of patent, trade secret, copyright, trademark and other intellectual property laws, and confidentiality procedures and contractual provisions such as nondisclosure terms and licenses, to protect our intellectual property. We hold various United States patents and pending applications, together with corresponding patents and pending applications from other countries. Our means of protecting our proprietary rights may not be adequate and our competitors may independently develop technology that is similar ours. Legal protections afford only limited protection for our technology. The laws of many countries do not protect our proprietary rights to as great an extent as do the laws of the United States. Despite our efforts to protect our proprietary rights, unauthorized parties have in the past attempted, and may in the future attempt, to copy aspects of our products or to obtain and use information that it regards as proprietary. Third parties may also design around our proprietary rights, which may render our protected products less valuable if the design around is favorably received in the marketplace. In addition, if any our products or the technology underlying our products is covered by third- party patents or other intellectual property rights, we could be subject to various legal actions. We cannot assure you that our products do not infringe intellectual property rights held by others or that they will not in the future. Third parties may assert infringement, misappropriation, or breach of license claims against us from time to time. Such claims could cause us to incur substantial liabilities and to suspend or permanently cease the use of critical technologies or processes or the production or sale of major products. Litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity, misappropriation, or other claims. Any such litigation could result in substantial costs and diversion of our resources, which in turn could materially adversely affect our business and financial condition. Moreover, any settlement of or adverse judgment resulting from such litigation could require us to obtain a license to continue to use the technology that is the subject of the claim, or otherwise restrict or prohibit our use of the technology. Any required licenses may not be available to us on acceptable terms, if at all. If we attempt to design around the technology at issue or to find another provider of suitable alternative technology to permit it to continue offering applicable software or product solutions, our continued supply of software or product solutions could be disrupted or our introduction of new or enhanced software or products could be significantly delayed. Risks Related to our Securities and Ownership Our amended and restated certificate of incorporation and our bylaws, as amended, contain provisions that could delay or prevent a change of control of our company or changes in our board of directors that our stockholders might consider favorable. Our amended and restated certificate of incorporation provides that our board of directors will be authorized to issue from time to time, without further stockholder approval, up to 1, 000, 000 shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each series, including the dividend rights, dividend rates, conversion rights, voting rights, rights of redemption, including sinking fund provisions, redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of any series. Such shares of preferred stock could have preferences over our common stock with respect to dividends and liquidation rights. We may issue additional preferred stock in ways which may delay, defer or prevent a change of control of our company without further action by our stockholders. Such shares of preferred stock may be issued with voting rights that may adversely affect the voting power of the holders of our common stock by increasing the number of outstanding shares having voting rights, and by the creation of class or series voting rights. We are also governed by the provisions of Section 203 of the Delaware General Corporate Law, which may prohibit certain business combinations with stockholders owning 15 % or more of our outstanding voting stock. The foregoing and other provisions in our amended and restated certificate of incorporation, our bylaws, as amended, and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by the then- current board of directors, including delaying or impeding a merger, tender offer, or proxy contest or other change of control transaction involving our company. Any delay or prevention of a change of control transaction or changes in our board of directors could prevent the consummation of a transaction in which our stockholders could receive a substantial premium over the then current market price for their shares. Our executive officers, directors and their affiliates own or control, in the aggregate, approximately ~~30~~ **32** . ~~2~~ **7** % of our outstanding common stock as of December 31, ~~2022~~ **2023** . In particular, our Chairman and Co- Chief Executive Officer, Bryant R. Riley, owns or controls, in the aggregate, ~~6~~ **7** , ~~516~~ **082** , ~~410~~ **190** shares of our common stock or 23. ~~0~~ **8** % of our outstanding common stock as of December 31, ~~2022~~ **2023** . These stockholders are able to exercise influence over matters requiring stockholder approval, such as the election of directors and the approval of significant corporate transactions, including transactions involving an actual or potential change of control of the company or other transactions that non- controlling stockholders may not deem to be in their best interests. This concentration of ownership may harm the market price of our common stock by, among other things: • delaying, deferring, or preventing a change in control of our company; • impeding a merger, consolidation, takeover, or other business combination involving our company; • causing us to enter into transactions or agreements that are not in the best interests of all stockholders; or • discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company. The market price of our common stock may be volatile and could fluctuate substantially due to many factors, including, among other things: • actual or anticipated fluctuations in our results of operations; • announcements of significant contracts and transactions by us or our competitors; • sale of common stock or other securities in the future; • the trading volume of our common stock; • changes in our pricing policies or the pricing policies of our competitors; and • general economic conditions In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These broad market factors may materially harm the market price of our common stock, regardless of our operating performance. The trading price of our common shares is subject to volatility. Trading of our common stock has in the past been highly volatile and the market price of shares of our common stock could continue to fluctuate substantially. Additionally, if we are not able to maintain our listing on NASDAQ, then our common stock will be quoted for trading on an over- the- counter quotation system and may be subject to more significant fluctuations in stock price and trading volume and large bid and ask price spreads. While we currently pay dividends quarterly, our Board of Directors may reduce or discontinue dividends at any time for any reason it deems relevant and there can be no assurances that we will continue to generate sufficient cash to pay dividends, or that we will continue to pay dividends with the cash that we do generate. **For example, while we paid regular quarterly dividends of $ 1. 00 per share of common stock in 2023 and 2022, in the first quarter of 2024 we reduced our dividend to $ 0. 50 per share.** The determination regarding the payment of dividends is subject to the discretion of our Board of Directors, and there can be no assurances that we will continue to generate sufficient cash to pay dividends, or that we will pay dividends in future periods. **Together** ~~Our senior notes include: (a) the 6. 75 % 2024 Notes~~ with ~~an aggregate principal~~ **our subsidiaries, we have a significant** amount of **indebtedness and substantial debt service requirements. As of December 31, 2023, we had** approximately $ ~~199.~~ 2 **, 356** ~~million; (b) the 6. 50 % 2026 Notes with an aggregate principal amount of approximately $ 180. 5 million; (c) the 6. 375 % 2025 Notes with an aggregate principal amount of approximately $ 146~~ . 4 million ~~; (d) the 6. 00 % 2028 Notes with an aggregate principal amount~~ of ~~approximately $ 266. 1 million; (e) the 5. 50 % 2026 Notes with an aggregate principal amount of approximately $ 217. 4 million; (f) the 5. 25 % 2028 Notes with an aggregate principal amount of approximately $ 405. 5 million; and (g) the 5. 00 % 2026 Notes with an aggregate principal amount of approximately $ 324. 7 million. The Company periodically enters into At Market Issuance Sales Agreements with B. Riley Securities. The most recent sales agreement prospectus was filed by us with the SEC on January 5, 2022 (the " January 2022 Sales Agreement Prospectus ") superseding the prospectus filed with the SEC on August 11, 2021, the prospectus filed with the SEC on April 6, 2021, and the prospectus filed with the SEC on January 28, 2021. Pursuant to the January 2022 Sales Agreement, the Company may sell from time to time, at the Company' s option, up to an aggregate principal amount of $ 250. 0 million, 6. 75 % 2024 Notes, 6. 50 % 2026 Notes, 6. 375 % 2025 Notes, 6. 00 % 2028 Notes, 5. 50 % 2026 Notes, 5. 25 % 2028 Notes, 5. 00 % 2026 Notes and Depositary Shares. As of December 31, 2022, the Company had $ 69. 5 million available for offer and sale pursuant to the January 2022 Sales Agreement. In connection with the acquisition of Targus, on October 18, 2022, our subsidiary, Tiger US Holdings, Inc., a Delaware corporation, among others, entered into a credit agreement with PNC Bank, National Association (" PNC "), as agent and security trustee for a five- year $ 28. 0 million term loan and a five- year $ 85. 0 million revolver loan. On September 23, 2022, our subsidiary, B. Riley Receivables II, LLC, a Delaware limited liability company (the " Borrower "), entered into a credit agreement (the " Pathlight Credit Agreement ") by~~

~~and among PLC Agent, LLC in the capacity as administrative agent and Pathlight Capital Fund I LP, Pathlight Capital Fund II LP, and Pathlight Capital Fund III LP as the lenders (collectively, " Pathlight ") for a five- year $ 148. 2 million term loan. The Pathlight Credit Agreement was entered in connection with the purchase of the 2022 Badcock Receivable discussed in Note 3 to our consolidated financial statements included elsewhere in this Annual Report. On August 16, 2022, our subsidiary, Lingo, a Delaware limited liability company (the " Borrower "), entered into a credit agreement (the " Lingo Credit Agreement ") by and among the Borrower, us as the secured guarantor, and Banc of California, N. A. in its capacity as administrative agent and lender, for a five- year $ 45. 0 million term loan. On September 9, 2022, Lingo entered into the First Amendment to the Lingo Credit Agreement with Grasshopper Bank (the " New Lender ") for an incremental term loan of $ 7. 5 million, increasing the principal balance of the term loan to $ 52. 5 million. On November 10, 2022, Lingo entered into the Second Amendment to the Lingo Credit Agreement with KeyBank National Association for an incremental term loan of $ 20. 5 million, increasing the principal balance of the term loan to $ 73. 0 million. On June 23, 2021, we and our wholly owned subsidiaries, BR Financial Holdings, LLC, a Delaware limited liability company (the " Primary Guarantor "), and BR Advisory & Investments, LLC, a Delaware limited liability company (the " Borrower "), entered into a credit agreement (the " Credit Agreement ") by and among us, Primary Guarantor, the Borrower, the lenders party thereto, Nomura Corporate Funding Americas, LLC, as administrative agent and Wells Fargo Bank, N. A., as collateral agent, providing for a four- year $ 200. 0 million secured term loan credit facility (the " Term Loan Facility ") and a four- year $ 80. 0 million secured revolving loan credit facility (the " Revolving Credit Facility " and, together with the Term Loan Facility, the " Credit Facilities "). On December 17, 2021 (the " Amendment Date "), we, the Primary Guarantor, and the Borrower entered into a Second Incremental Amendment to Credit Agreement, pursuant to which the Borrower established an incremental facility in an aggregate principal amount of $ 100. 0 million (the " Incremental Facility ") On December 19, 2018, BRPI Acquisition Co LLC (" BRPAC "), a Delaware limited liability company, UOL, and YMAX Corporation, Delaware corporations (collectively, the " Borrowers "), indirect wholly owned subsidiaries of ours, in the capacity as borrowers, entered into a credit agreement (the " BRPAC Credit Agreement ") with the Banc of California, N. A. in the capacity as agent (the " Agent ") and lender and with the other lenders party thereto (the " Closing Date Lenders "). Through a series of amendments, including the most recent Fourth Amendment to the BRPAC Credit Agreement (the " Fourth Amendment ") on June 21, 2022, the Borrowers, the Secured Guarantors, the Agent and the Closing Date Lenders agreed to the following, among other things: (i) the Lenders agreed to make a new $ 75. 0 million term loan to the Borrowers, the proceeds of which the Borrowers' used to repay the~~ outstanding **indebtedness** ~~principal amount of the existing terms loans and optional loans and will use for other general corporate purposes, (ii) a new applicable margin level of 3. 50 % was established as set forth from the date of the Fourth Amendment, (iii) Marconi Wireless was added to the Borrowers, (iv) the maturity date of the term loan was set to June 30, 2027, and (v) the Borrowers were permitted to make certain distributions to the parent company of the Borrowers. We are party to a credit agreement (as amended, the " Credit Agreement ") governing our asset based credit facility with Wells Fargo Bank, National Association (" Wells Fargo Bank ") with a maximum borrowing limit of $ 200. 0 million. and a maturity date of April 20, 2027~~. The terms of **the instruments governing** such indebtedness contain various restrictions and covenants regarding the operation of our business, including, but not limited to, restrictions on our ability to merge or consolidate with or into any other entity. We may also secure additional debt financing in the future in addition to our current debt. Our level of indebtedness generally could adversely affect our operations and liquidity, by, among other things: (i) making it more difficult for us to pay or refinance our debts as they become due during adverse economic and industry conditions because we may not have sufficient cash flows to make our scheduled debt payments; (ii) causing us to use a larger portion of our cash flows to fund interest and principal payments, thereby reducing the availability of cash to fund working capital, capital expenditures and other business activities; (iii) making it more difficult for us to take advantage of significant business opportunities, such as acquisition opportunities or other strategic transactions, and to react to changes in market or industry conditions; and (iv) limiting our ability to borrow additional monies in the future to fund working capital, capital expenditures, acquisitions and other general corporate purposes as and when needed, which could force us to suspend, delay or curtail business prospects, strategies or operations. We may not be able to generate sufficient cash flow to pay the interest on our debt, and future working capital, borrowings or equity financing may not be available to pay or refinance such debt. If we are unable to generate sufficient cash flow to pay the interest on our debt, we may have to delay or curtail our operations. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking additional equity capital. These alternative strategies may not be affected on satisfactory terms, if at all, and they may not yield sufficient funds to make required payments on our indebtedness. If, for any reason, we are unable to meet our debt service and repayment obligations, we would be in default under the terms of the agreements governing our debt, which could allow our creditors at that time to declare certain outstanding indebtedness to be due and payable or exercise other available remedies, which may in turn trigger cross acceleration or cross default rights in other agreements. If that should occur, we may not be able to pay all such debt or to borrow sufficient funds to refinance it. Even if new financing were then available, it may not be on terms that are acceptable to us. Our senior notes are unsecured and therefore are effectively subordinated to any secured indebtedness that we currently have or that we may incur in the future. Our senior notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, our senior notes are effectively subordinated to any secured indebtedness that we or our subsidiaries have currently outstanding or may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. The indenture governing our senior notes does not prohibit us or our subsidiaries from incurring additional secured (or unsecured) indebtedness in the future. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness and may consequently receive payment from these assets before they may be used to pay other creditors, including the holders of our senior notes. Our senior notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries. Our senior notes are obligations exclusively of the Company and not of any of our subsidiaries. None of our subsidiaries is a guarantor of our senior notes, and our senior notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. Therefore, in any bankruptcy, liquidation or similar proceeding, all claims of creditors (including trade creditors) of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of our senior notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, our senior notes will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. The indenture governing our senior notes does not prohibit us or our subsidiaries from incurring additional indebtedness in the future. In addition, future debt and security agreements entered into by our subsidiaries may contain various restrictions, including restrictions on payments by our subsidiaries to us and the transfer by our subsidiaries of assets pledged as collateral. The indenture under which our senior notes were issued contains limited protection for holders of our senior notes. The indenture under which our senior notes were issued offers limited protection to holders of our senior notes. The terms of the indenture and our senior notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on the holders of our senior notes. In particular, the terms of the indenture and our senior notes do not place any restrictions on our or our subsidiaries' ability to: • issue debt securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to our senior notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to our senior notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to our senior notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to our senior notes with respect to the assets of our subsidiaries; • pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities subordinated in right of payment to our senior notes; • sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets); • enter into transactions with affiliates; • create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions; • make investments; or • create restrictions on the payment of dividends or other amounts to us from our subsidiaries. In addition, the indenture does not include any protection against certain events, such as a change of control, a leveraged recapitalization or " going private " transaction (which may result in a significant increase of our indebtedness levels), restructuring or similar transactions. Furthermore, the terms of the indenture and our senior notes do not protect holders of our senior notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity. Also, an event of default or acceleration under our other indebtedness would not necessarily result in an event of default under our senior notes. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of our senior notes may have important consequences for the holders of our senior notes, including making it more difficult for us to satisfy our obligations with respect to our senior notes or negatively affecting the trading value of our senior notes. Other debt we issue or incur in the future could contain more protections for its holders than the indenture and our senior notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of our senior notes. **An increase in market interest rates could result in a decrease in the value of our senior notes and increase our future borrowing costs.** In general, as market interest rates rise, notes bearing interest at a fixed rate decline in value. Following the ~~recent~~ increase in market interest rates **over the last two years** , the market value of our senior notes has declined. We cannot predict the future level of market interest rates, but to the extent market interest rates continue to rise, the market value of our existing senior notes can be expected to further decline. Additionally, if interest rates continue to rise, we may be required to refinance existing lower interest rate indebtedness with indebtedness bearing a higher rate of interest, and our issuance of new indebtedness at higher interest rates would likely cause the market value of our existing indebtedness that we do not refinance to decline. We cannot predict the future level of market interest rates. An active trading market for our senior notes may not develop, which could limit the market price of our senior notes or the ability of our senior note holders to sell them. The 5. 00 % 2026 Notes are quoted on NASDAQ under the symbol " RILYG, " the 5. 25 % 2028 Notes are quoted on NASDAQ under the symbol " RILYZ, " the 6. 75 % 2024 Notes are quoted on NASDAQ under the symbol " RILYO, " the 6. 50 % 2026 Notes are quoted on NASDAQ under the symbol " RILYN, " the 6. 375 % 2025 Notes are quoted on NASDAQ under the symbol " RILYM, " the 5. 50 % 2026 Notes are quoted on the NASDAQ under the symbol " RILYK " and the 6. 00 % 2028 Notes are quoted on NASDAQ under the symbol " RILYT ". We cannot provide any assurances that an active trading market will develop for our senior notes or that our senior note holders will be able to sell their senior notes. If the senior notes are traded after their initial issuance, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. Accordingly, we cannot assure our senior note holders that a liquid trading market will develop for our senior notes, that our senior note holders will be able to sell our senior notes at a particular time or that the price our senior note holders receive when they sell will be favorable. To the extent an active trading market does not develop, the liquidity and trading price for our senior notes may be harmed. Accordingly, our senior note holders may be required to bear the financial risk of an investment in our senior notes for an indefinite period of time. We may issue additional notes. Under the terms of the indenture governing our senior notes, we may from time to time without notice to, or the consent of, the holders of our senior notes, create and issue additional notes which will be equal in rank to our senior notes. We will not issue any such additional notes unless such issuance would constitute a " qualified reopening " for U. S. federal income tax purposes. The rating for the 5. 00 % 2026 Notes, 5. 25 % 2028 Notes, 6. 75 % 2024 Notes, 6. 50 % 2026 Notes, 6. 375 % 2025 Notes, 5. 50 % 2026 Notes, or 6. 00 % 2028 Notes could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. We have obtained a rating for the 5. 00 % 2026 Notes, 5. 25 % 2028 Notes, 6. 75 % 2024 Notes, 6. 50 % 2026 Notes, 6. 375 % 2025 Notes, 5. 50 % 2026 Notes, and 6. 00 % 2028 Notes (collectively, the " Rated Notes "). Ratings only reflect the views of the issuing rating agency or agencies and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. A rating is not a recommendation to purchase, sell or hold any of the Rated Notes. Ratings do not reflect market prices or suitability of a security for a particular investor and the rating of the Rated Notes may not reflect all risks related to us and our business, or the structure or market value of the Rated Notes. We may elect to issue other securities for which we may seek to obtain a rating in the future. If we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, could adversely affect the market for or the market value of the Rated Notes. There is no established market for the Depositary Shares and the market value of the Depositary Shares could be substantially affected by various factors. The Depositary Shares are an issue of securities with no established trading market. Although the shares are trading on the NASDAQ Global Market, an active trading market on the NASDAQ Global Market for the Depositary Shares may not develop or last, in which case the trading price of the Depositary Shares could be adversely affected. If an active trading market does develop on the NASDAQ Global Market, the Depositary Shares may trade at prices higher or lower than their initial offering price. The trading price of the Depositary Shares also depends on many factors, including, but not limited to: • prevailing interest rates; • the market for similar securities; • general economic and financial market conditions; and • the Company' s financial condition, results of operations and prospects. The Company has been advised by some of the underwriters that they intend to make a market in the Depositary Shares, but they are not obligated to do so and may discontinue market- making at any time without notice. The Existing Preferred Stock and the Depositary Shares rank junior to all of the Company' s indebtedness and other liabilities and are effectively junior to all indebtedness and other liabilities of the Company' s subsidiaries. In the event of a bankruptcy, liquidation, dissolution or winding- up of the affairs of the Company, the Company' s assets will be available to pay obligations on the 6. 875 % Series A Cumulative Perpetual Preferred Stock, par value $ 0. 0001 per share (the " Series A Preferred Stock ") and the 7. 375 % Series B Cumulative Perpetual Preferred Stock, par value $ 0. 0001 per share (the " Series B Preferred Stock " and, together with the Series A Preferred Stock, the " Existing Preferred Stock "), which ranks in parity with the Series A Preferred Stock, only after all of the Company' s indebtedness and other liabilities have been paid. The rights of holders of the Existing Preferred Stock to participate in the distribution of the Company' s assets will rank junior to the prior claims of the Company' s current and future creditors and any future series or class of preferred stock the Company may issue that ranks senior to the Existing Preferred Stock. In addition, the Existing Preferred Stock effectively ranks junior to all existing and future indebtedness and other liabilities of (as well as any preferred equity interests held by others in) the Company' s existing subsidiaries and any future subsidiaries. The Company' s existing subsidiaries are, and any future subsidiaries would be, separate legal entities and have no legal obligation to pay any amounts to the Company in respect of dividends due on the Existing Preferred Stock. If the Company is forced to liquidate its assets to pay its creditors, the Company may not have sufficient assets to pay amounts due on any or all of the Existing Preferred Stock then outstanding. The Company and its subsidiaries have incurred and may in the future incur substantial amounts of debt and other obligations that will rank senior to the Existing Preferred Stock. The Company may incur additional indebtedness and become more highly leveraged in the future, which could harm the Company' s financial position and potentially limit cash available to pay dividends. As a result, the Company may not have sufficient funds remaining to satisfy its dividend obligations relating to the Existing Preferred Stock if the Company incurs additional indebtedness. Future offerings of debt or senior equity securities may adversely affect the market price of the Depositary Shares. If the Company decides to issue debt or senior equity securities in the future, it is possible that these securities will be governed by an indenture or other instrument containing covenants restricting the Company' s operating flexibility. Additionally, any convertible or exchangeable securities that the Company issues in the future may have rights, preferences and privileges more favorable than those of the Existing Preferred Stock and may result in dilution to owners of the Depositary Shares. The Company and, indirectly, the Company' s shareholders, will bear the cost of issuing and servicing such securities. Because the Company' s decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond the Company' s control, the Company cannot predict or estimate the amount, timing or nature of the Company' s future offerings. Thus, holders of the Depositary Shares will bear the risk of the Company' s future offerings reducing the market price of the Depositary Shares and diluting the value of their holdings in the Company. The Company may issue additional shares of the Existing Preferred Stock and additional series of preferred stock that rank on a parity with the Existing Preferred Stock as to dividend rights, rights upon liquidation or voting rights. The Company is allowed to issue additional shares of Existing Preferred Stock and additional series of preferred stock that would rank on a parity with the Existing Preferred Stock as to dividend payments and rights upon the Company' s liquidation, dissolution or winding up of the Company' s affairs pursuant to the Company' s certificate of incorporation and the certificate of designation for the Existing Preferred Stock without any vote of the holders of the Existing Preferred Stock. The Company' s certificate of incorporation authorizes the Company to issue up to 1, 000, 000 shares of preferred stock in one or more series on terms determined by the Company' s Board of Directors. However, the use of depositary shares enables the Company to issue significant amounts of preferred stock, notwithstanding the number of shares authorized by the Company' s certificate of incorporation. The issuance of additional shares of Existing Preferred Stock and additional series of parity preferred stock could have the effect of reducing the amounts available to the Existing Preferred stockholders upon the Company' s liquidation or dissolution or the winding up of the Company' s affairs. It also may reduce dividend payments on the Existing Preferred Stock issued and outstanding if the Company does not have sufficient funds to pay dividends on all Existing Preferred Stock outstanding and other classes of stock with equal priority with respect to dividends. In addition, although holders of the Depositary Shares are entitled to limited voting rights (discussed further below), the holders of the Depositary Shares will vote separately as a class along with all other outstanding series of the Company' s preferred stock that the Company may issue upon which like voting rights have been conferred and are exercisable. As a result, the voting rights of holders of the Depositary Shares may be significantly diluted, and the holders of such other series of preferred stock that the Company may issue may be able to control or significantly influence the outcome of any vote. Future issuances and sales of parity preferred stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for the Depositary Shares and the Company' s common stock to decline and may adversely affect the Company' s ability to raise additional capital in the financial markets at times and prices favorable to the Company. Such issuances may also reduce or eliminate the Company' s ability to pay dividends on the Company' s common stock. Holders of Depositary Shares have extremely limited voting rights. The voting rights of holders of Depositary Shares are limited. The Company' s common stock is the only class of the Company' s securities that carries full voting rights. Voting rights for holders of Depositary Shares exist primarily with respect to the ability to elect (together with the holders of other outstanding series of the Company' s preferred stock, or Depositary Shares representing interests in the Company' s preferred stock, or additional series of preferred stock the Company may issue in the future and upon which similar voting rights have been or are in the future conferred and are exercisable) two additional directors to the Company' s Board of Directors in the event that six quarterly dividends (whether or not declared or consecutive) payable on the Existing Preferred Stock are in arrears, and with respect to voting on amendments to the Company' s certificate of incorporation or certificate of designation (in some cases voting together with the holders of other outstanding series of the Company' s preferred stock as a single class) that materially and adversely affect the rights of the holders of Depositary Shares (and other series of preferred stock, as applicable) or create additional classes or series of the Company' s stock that are senior to the Existing Preferred Stock, provided that in any event adequate provision for redemption has not been made. Other than the limited circumstances described in this prospectus supplement, holders of Depositary Shares will not have any voting rights. The Depositary Shares have not been rated. The Existing Preferred Stock and the Depositary Shares have not been rated and may never be rated. It is possible, however, that one or more rating agencies might independently decide to assign a rating to the Depositary Shares or that the Company may elect to obtain a rating of the Depositary Shares in the future. Furthermore, the Company may elect to issue other securities for which the Company may seek to obtain a rating. If any ratings are assigned to the Depositary Shares in the future or if the Company issues other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, could adversely affect the market for, or the market value of, the Depositary Shares. Ratings reflect the views of the issuing rating agency or agencies, and such ratings could at any time be revised downward, placed on negative outlook or withdrawn entirely at the discretion of the issuing rating agency or agencies. Furthermore, a rating is not a recommendation to purchase, sell or hold any particular security, including the Depositary Shares. Ratings do not reflect market prices or the suitability of a security for a particular investor, and any future rating of the Depositary Shares may not reflect all risks related to the Company and its business, or the structure or market value of the Depositary Shares. The conversion feature may not adequately compensate the holders, and the conversion and redemption features of the Existing Preferred Stock and the Depositary Shares may make it more difficult for a party to take over the Company and may discourage a party from taking over the Company. Upon the occurrence of a Delisting Event or Change of Control (each as defined in the certificate of designation for each series of the Existing Preferred Stock, respectively), holders of the Depositary Shares will have the right (unless, prior to the Delisting Event Conversion Date or Change of Control Conversion Date (each as defined in the certificate of designation for each series of the Existing Preferred Stock, respectively), as applicable, the Company has provided or provide notice of the Company' s election to redeem such series of Existing Preferred Stock) to direct the depositary to convert some or all of such series of Existing Preferred Stock underlying their Depositary Shares into the Company' s common stock (or equivalent value of alternative consideration), and under these circumstances the Company will also have a special optional redemption right to redeem such series of Existing Preferred Stock. Upon such a conversion, the holders will be limited to a maximum number of shares of the Company' s common stock equal to the Share Cap (as defined in the certificate of designation for each series of the Existing Preferred Stock, respectively) multiplied by the number of shares of such series of Existing Preferred Stock converted. If the common stock price is less than $ 11. 49 in the case of the Series A Preferred Stock (which is approximately 50 % of the closing sale price per share of the Company' s common stock on October 1, 2019) or $ 13. 39 in the case of the Series B Preferred Stock (which is approximately 50 % of the closing sale price per share of the Company' s common stock on August 31, 2020), subject to adjustment, the holders will receive a maximum number of shares of the Company' s common stock per depositary share, which may result in a holder receiving value that is less than the liquidation preference of the Depositary Shares. In addition, those features of the Existing Preferred Stock and Depositary Shares may have the effect of inhibiting a third party from making an acquisition proposal for the Company or of delaying, deferring or preventing a change of control of the Company under circumstances that otherwise could provide the holders of the Company' s common stock and Depositary Shares with the opportunity to realize a premium over the then- current market price or that shareholders may otherwise believe is in their best interests. The market price of the Depositary Shares could be substantially affected by various factors. The market price of the Depositary Shares will depend on many factors, which may change from time to time, including: • prevailing interest rates, increases in which may have an adverse effect on the market price of the Depositary Shares; • the annual yield from distributions on the Depositary Shares as compared to yields on other financial instruments; • government action or regulation; • the financial condition, performance and prospects of the Company and its competitors; • changes in financial estimates or recommendations by securities analysts with respect to the Company, its competitors or the industry in which the Company operates; • the Company' s issuance of additional preferred equity or debt securities; and • actual or anticipated variations in quarterly operating results of the Company and its competitors. As a result of these and other factors, investors who purchase the Depositary Shares may experience a decrease, which could be substantial and rapid, in the market price of the Depositary Shares, including decreases unrelated to the Company’ s operating performance or prospects. **Short sellers and others who raise allegations regarding the legality of our business activities, some of whom are positioned to profit if the price of our securities decline, have negatively affected the price of our securities and may continue to do so. For example, in early 2023, a short- focused research firm raised allegations regarding our investment portfolio, accounting practices, and other matters, and announced that they had taken a significant short position regarding our common stock, leading to public scrutiny and significant volatility in the price of our securities. This firm, as well as additional short sellers, have raised additional allegations over the course of 2023 and 2024, particularly around our relationship with Brian Kahn and the FRG take- private as further described in Item 1. Business – Recent Developments – FRG Take- Private and Related Transactions. These reports and allegations have caused and may continue to cause significant volatility in the price of our common stock and other securities that may cause the value of a securityholder’ s investment to decline rapidly. We have received, and may continue to receive, a high degree of media coverage that is published or otherwise disseminated by third parties, including on X (fka “ Twitter ”), other forms of social media, articles, message boards and other media. This includes coverage that is not attributable to statements made by our directors, officers, employees or agents. Information provided by third parties may not be reliable or accurate and has materially impacted, and may continue to materially impact, the trading price of our common stock and other securities which could cause investors to lose their investments. A “ short squeeze ” due to a sudden increase in demand for our securities that largely exceeds supply has led to, and may continue to lead to, extreme price volatility in our securities. Investors may purchase our common stock and other securities to hedge existing exposure or to speculate on the price of our common stock and other securities. Speculation on the price of our securities may involve long and short exposures. To the extent aggregate short exposure exceeds the number of securities available for purchase on the open market, investors with short exposure may have to pay a premium to repurchase our securities for delivery to lenders of our securities. Those repurchases may, in turn, dramatically increase the price of our securities until additional securities are available for trading or borrowing. This is often referred to as a “ short squeeze. ” A large proportion of our common stock has been and may continue to be traded by short sellers which may increase the likelihood that our common stock will be the target of a short squeeze. It is also possible that such a short squeeze could develop with respect to our other securities. A short squeeze could lead to volatile price movements in our securities that are unrelated or disproportionate to our operating performance or prospects and, once investors purchase the securities necessary to cover their short positions, the price of our securities may rapidly decline. Securityholders that purchase securities that are the subject of the short squeeze during such short squeeze may lose a significant portion of their investment.**