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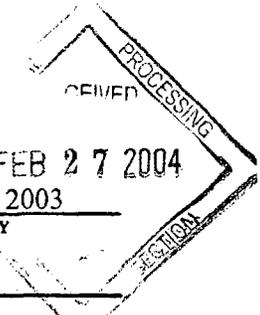
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

FEB 27 2004



REPORT FOR THE PERIOD BEGINNING January 1, 2003 AND ENDING December 31, 2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

B. Riley & Co. Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

11150 Santa Monica Blvd., Suite 750

(No. and Street)

Los Angeles

California

90025

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Tom Kelleher

(310) 966-1444

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Kevin G. Breard, CPA An Accountancy Corporation

(Name - if individual, state last, first, middle name)

9010 Corbin Avenue, Suite 7

Northridge

California

91324

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 23 2004

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MCMSON FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

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2003-02

OATH OR AFFIRMATION

I, Tom Kelleher, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of B. Riley & Co, Inc., as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

State of California
County of Los Angeles
Subscribed and sworn (or affirmed) to before me this 24th day of November 2003

Tom Kelleher
Signature
President
Title

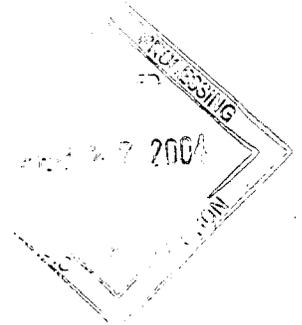
[Signature]
Notary Public



This report** contains (check all applicable boxes):

- (a) Facing page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition. Cash Flows
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



B. Riley & Co. Inc.
Report Pursuant to Rule 17a-5 (d)
Financial Statements
For the Year Ended December 31, 2003

KEVIN G. BREARD, C.P.A.
AN ACCOUNTANCY CORPORATION

Independent Auditor's Report

Board of Directors
B. Riley & Co. Inc.

I have audited the accompanying statement of financial condition of B. Riley & Co. Inc. as of December 31, 2003 and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statement referred to above present fairly, in all material respects, the financial position of B. Riley & Co. Inc. as of December 31, 2003 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III are presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole and in conformity with the rules of the Securities and Exchange Commission.



Kevin G. Breard
Certified Public Accountant

Northridge, California
February 10, 2004

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B r e a r d C P A @ a o l . c o m

B. Riley & Co. Inc.
Statement of Financial Condition
December 31, 2003

Assets

Cash	\$ 3,587,273
Marketable securities, at market value	2,186,637
Receivable from related parties	161,455
Other receivables	119,534
Deposits with clearing organizations	211,428
Furniture, equipment, and leasehold improvement, net of \$76,113 accumulated depreciation	67,025
Investments, at estimated fair value	4,763,699
Securities, not readily marketable	94,500
Refundable deposits	49,056
Prepaid expenses	108,391
Other assets	<u>1,746</u>
Total assets	<u>\$ 11,350,744</u>

Liabilities and Stockholder's Equity

Liabilities

Accounts payable and accrued expenses	\$ 365,868
Payable to brokers and dealers	85,355
Payable to clearing organization	427,837
Salaries and bonuses payable	1,087,754
Securities sold, not yet purchased, at market value	154,249
Income taxes payable	<u>61,577</u>
Total liabilities	2,182,640

Stockholder's equity

Common Stock, no par value, 1,500 shares authorized, issued and outstanding	200,000
Additional paid-in capital	282,719
Retained earnings	5,714,279
Unrealized gains (losses) on investments, at estimated fair value	<u>2,971,106</u>
Total stockholder's equity	<u>9,168,104</u>
Total liabilities and stockholder's equity	<u>\$ 11,350,744</u>

The accompanying notes are an integral part of these financial statements.

B. Riley & Co. Inc.
Statement of Income
For the Year Ended December 31, 2003

Revenues

Commissions	\$ 8,442,142
Gains (losses) from investments in securities	8,611,552
Corporate finance	1,463,508
Rental income	153,762
Interest and dividends	184,086
Gains (losses) on disposition of furniture and equipment	(9,438)
Gains (losses) on securities, not readily marketable	(31,500)
Other income	<u>100,151</u>
Total revenues	18,914,263

Expenses

Employee compensation and benefits	2,199,685
Commissions, trading fees and floor brokerage	10,258,492
Communications	77,622
Interest	147,698
Occupancy & equipment rental	481,803
Taxes, other than income taxes	429,176
Other operating expenses	<u>1,096,121</u>
Total expenses	<u>14,690,597</u>
Income before income taxes	4,223,666
Income tax provision	<u>65,577</u>
Net income	<u><u>\$ 4,158,089</u></u>

The accompanying notes are an integral part of these financial statements.

B. Riley & Co. Inc.
Statement of Changes in Stockholder's Equity
For the Year ended December 31, 2003

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized gains (losses) on Investments, at Estimated Fair Value		Total	Comprehensive Income
Balance, January 1, 2003	\$ 200,000	\$ 282,719	\$ 1,927,315	\$ -	\$ -	\$ 2,410,034	
Stockholder distributions	-	-	(371,125)	-	-	(371,125)	
Gains (losses) on investments, at estimated fair value	-	-	-	2,971,106		2,971,106	\$ 2,971,106
Net income	-	-	4,158,089	-	-	4,158,089	4,158,089
Balance, December 31, 2003	<u>\$ 200,000</u>	<u>\$ 282,719</u>	<u>\$ 5,714,279</u>	<u>\$ 2,971,106</u>	<u>\$ -</u>	<u>\$ 9,168,104</u>	<u>\$ 7,129,195</u>

The accompanying notes are an integral part of these financial statements.

B. Riley & Co. Inc.
Statement of Cash Flows
For the Year Ended December 31, 2003

Cash flows from operating activities:

Net income		\$ 4,158,089
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	\$ 32,450	
(Gains) losses on sale of securities, not readily marketable	31,500	
(Gains) losses on sale of property	9,438	
(Increase) decrease in:		
Marketable securities, at market	859,946	
Other receivables	(119,534)	
Clearing deposit	(2,630)	
Prepaid expenses	(108,391)	
Other assets	(1,746)	
(Decrease) increase in:		
Accounts payable and accrued expense	370,269	
Payable to brokers and dealers	424,839	
Income taxes payable	57,710	
Securities sold, not yet purchased, at market	77,293	
Total adjustments		<u>1,631,144</u>
Net cash provided by operating activities		5,789,233
Cash flows from investing activities:		
Purchase of furniture & equipment	(33,569)	
Purchase of investments	(1,792,593)	
Increase in refundable deposits	(18,135)	
Net cash used in investing activities		(1,844,297)
Cash flows from financing activities:		
Repayment of loans made to related party's	(121,903)	
Repayment of short term bank loans	(53,109)	
Repayment of payable to clearing organization	(977,628)	
Stockholder distributions	(371,125)	
Net cash used in financing activities		<u>(1,523,765)</u>
Net increase in cash		2,421,171
Cash at beginning of year		<u>1,166,102</u>
Cash at end of year		<u><u>\$ 3,587,273</u></u>

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest		\$ 147,698
Income taxes		\$ 7,867

Non-cash investing and financing transactions:

The Company's investments, at estimated fair value were marked to market for \$2,971,106.

The accompanying notes are an integral part of these financial statements.

B. Riley & Co. Inc.
Notes to Financial Statements
December 31, 2003

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

B. Riley & Co. Inc. (the "Company") was incorporated in the State of Delaware on February 15, 1996. The Company commenced operations on February 3, 1997. The Company is a registered broker-dealer in securities under the Securities and Exchange Act of 1934, a member of the National Association of Securities Dealers, Inc. ("NASD") and the Securities Investors Protection Corporation ("SIPC").

The Company does not hold customer funds or securities and conducts business on a fully disclosed basis, whereby all transactions are cleared by another broker/dealer.

The Company primarily earns commissions through the sale of equities and market making. The Company also provides investment banking services by engagement, and trades securities for its own account.

In the normal course of business, the Company's customer activities involve the execution and settlement of various customers securities and financial instrument transactions. These activities may expose the Company to off-balance-sheet credit risk in the event the customer is unable to fulfill its contractual obligations.

Summary of Significant Accounting Policies

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Securities transactions are recorded on a trade date basis for both the Company's customers and the Company. Marketable securities owned by the Company are accounted for at market value, with market value based on current published market prices. The resulting difference between cost and market (or fair value) is included in income.

Property and equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Property and equipment are depreciated over their estimated useful lives ranging from five (5) to (7) years by the double-declining balance method.

B. Riley & Co. Inc.
Notes to Financial Statements
December 31, 2003

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Company, with the consent of its Stockholder, has elected to be an S Corporation and accordingly has its income taxed under Section 1362 of the Internal Revenue Code, which provides that in lieu of corporate income taxes, the Stockholder is taxed on the Company's taxable income. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements. The State of California has similar regulations, although there exists a provision for a minimum Franchise Tax and a tax rate of 1.5% over the minimum Franchise Fee of \$800.

The Company has elected to report the statement of changes in stockholder's equity without disclosing the accumulated adjustment account and other equity accounts pertinent to an S Corporation. There is no financial impact to these financial statements.

Note 2: SECURITIES OWNED AND SOLD, NOT YET PURCHASED

Marketable securities owned and sold, not yet purchased, consist of trading securities at quoted market values, as follows:

	<u>Owned</u>	<u>Sold Not Yet Purchased</u>
Corporate stocks	<u>\$ 2,186,637</u>	<u>\$ 154,249</u>

Note 3: DEPOSITS WITH CLEARING ORGANIZATION

The Company has deposited \$100,000 with Spear, Leads & Kellogg as security for its transactions with them. Interest is paid monthly on the deposit at the average overnight repurchase rate. The balance at December 31, 2003 includes interest earned for a deposit total of \$211,428.

Note 4: RELATED PARTY TRANSACTIONS

The Company is currently carrying receivables for short term loans from related party's. The Company advanced PTR Partners, LLC \$40,000 for operating costs. The Company's sole shareholder and one of its officers hold a minority interest in PTR Partners, LLC. The Company is carrying a receivable of \$116,182 from one of its brokers for rental income and expense reimbursements. This receivable is offset by a corresponding payable to this broker for commissions and interest. The Company has also advanced \$5,273 to its employees. These loans and advances are all non-interest bearing, except for the loan to the partnership which carries 6% interest.

B. Riley & Co. Inc.
Notes to Financial Statements
December 31, 2003

Note 4: RELATED PARTY TRANSACTIONS
(Continued)

The Company received \$1,538,224 and \$4,748 in commissions from two funds managed by Riley Investment Management, LLC and PTR Partners, LLC, respectively. Riley Investment Management, LLC and the Company are both 100% owned by the Company's sole shareholder. The Company's

Note 5: PROPERTY, EQUIPMENT AND LEASEHOLDS, NET

The furniture, and equipment are recorded at cost.

		<u>Depreciable Life Years</u>
Furniture & fixtures	\$ 11,500	7
Equipment	29,623	5
Computers	89,876	5
Leasehold improvements	<u>12,139</u>	39
Subtotal	143,138	
Less: accumulated depreciation	<u>(76,113)</u>	
Property, equipment & leaseholds, net	<u>\$ 67,025</u>	

Depreciation expense for the year ended December 31, 2003 was \$32,450.

Note 6: INVESTMENTS, AT ESTIMATED FAIR VALUE

The investments, at estimated fair value, represent several investments not in the ordinary course of business for the Company. The Company considers these investments as "available for sale," as defined by FASB 115, *Accounting For Certain Investments in Debt and Equity Securities*.

The investment, at estimated fair value consisted of the following at December 31, 2003:

Investments in partnerships	\$ 650,106
Investment in linear option	3,713,593
Unregistered corporate stocks	<u>400,000</u>
Total investment	<u>\$ 4,763,699</u>

The investment in partnerships are recorded at their fair value. The linear option is recorded at market and the corporate stocks are recorded at cost. These investments are considered non-allowable assets for net capital purposes.

The Company included \$2,971,106 in unrealized gains on these investments in comprehensive income at December 31, 2003.

B. Riley & Co. Inc.
Notes to Financial Statements
December 31, 2003

Note 7: SECURITIES, NOT READILY MARKETABLE

Securities, not readily marketable consist 9,300 warrants in the NASDAQ Stock Market, Inc., these securities were offered primarily to NASD members and purchased through a Private Placement Memorandum. The warrants are exercisable in four tranches over four years. The first tranche expired on June 27, 2003. The Company has the remaining options to exercise in the following tranches;

		<u>Exercisable on</u>	<u>Expires on</u>	<u>Exercise Price</u>
Tranche 2	9,300 shares	June 30, 2003	June 25, 2004	\$ 14.00
Tranche 3	9,300 shares	June 28, 2004	June 27, 2005	\$ 15.00
Tranche 4	9,300 shares	June 28, 2005	June 27, 2006	\$ 16.00

The Company is carrying these warrants at their amortized cost of \$94,500.

Note 8: PAYABLE TO CLEARING ORGANIZATION

The Company buys securities in it's proprietary account at the clearing firm on margin. Margin interest expense was \$147,698 and the margin balance was \$427,837 for the year ended December 31, 2003.

Note 9: INCOME TAXES

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company has elected the S Corporate tax status, therefore no federal income tax provision is provided. The tax provision of \$65,577 is the California franchise tax at 1.5%.

Note 10: PROFIT SHARING PLAN

Effective January 1, 2000, the Company's Board of Directors adopted a qualified 401(K) Profit Sharing Plan (the "Plan"). All employees, 21 years of age or older, are eligible to participate in the Plan. The Company profit sharing contributions are discretionary and are determined each year by the Company. The participants must be employed on the last day of the plan year and have worked at least 1,000 hours during the year to receive a pre-tax contribution. The Company may make a pre-tax matching contribution each year. The participant's contributions, earnings and profit sharing bonuses are 100% vested at all times. The Company's matching contributions are vested 20% per year of service after the first year with the Company. The Company's profit sharing contributions and matching contributions were \$181,000 for the year ended December 31, 2003.

B. Riley & Co. Inc.
Notes to Financial Statements
December 31, 2003

Note 11: COMMITMENTS

The Company entered into a lease agreement for office space under a non-cancelable lease which commenced November 1, 2001 and expires October 31, 2004. This lease was amended and extended till July of 2009. The Company also entered into a new lease for office space in support of its corporate finance division. The new lease commenced in December of 2003 and expires in November of 2006. These leases contain provisions for rent escalation based on increases in certain costs incurred by the leaser.

Future minimum lease payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2004	\$ 499,726
2005	488,106
2006	486,325
2007	303,183
2008	312,319
2009 & thereafter	<u>185,514</u>
Total	<u>\$ 2,275,173</u>

Rent expense was \$465,976 for the year ended December 31, 2003.

The Company maintains several bank accounts at financial institutions. These accounts are insured either by the Federal Deposit Insurance Commission ("FDIC"), up to \$100,000, or the Securities Investor Protection Corporation ("SIPC"), up to \$500,000. At times during the year ended December 31, 2003, cash balances held in financial institutions were in excess of the FDIC and SIPC's insured limits. The Company has not experienced any losses in such accounts and management believes it places its cash on deposit with financial institutions which are financially stable.

Note 12: RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, the FASB issued Interpretation 46, *Consolidation of Variable Interest Entities*. In general, a variable interest entity is a corporation, partnership, trust, or any legal structure used for business purposes that either (a) does not have interest entity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to transactions entered into prior to February 1, 2003 in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The adoption of the Interpretation on July 1, 2003 did not have a material impact on the Company's financial statements.

B. Riley & Co. Inc.
Notes to Financial Statements
December 31, 2003

In April 2003, the FASB issued SFAS 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The Statement is effective for contracts entered into or modified after June 30, 2003. The adoption of this Statement did not have a material impact on the Company's financial statements.

B. Riley & Co. Inc.
Notes to Financial Statements
December 31, 2003

Note 12: RECENTLY ISSUED ACCOUNTING STANDARDS
(Continued)

In May 2003, The FASB issued SFAS 150, *Accounting for Certain Financial Instruments with Characteristic of both Liabilities and Equity*. The Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer clarify a financial instrument that is within its scope as a liability (or an asset in some circumstances). It is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this Statement did not have a material impact on the Company's financial statements.

Note 13: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2003, the Company had net capital of \$3,471,552, which was \$3,299,052 in excess of its required net capital of \$172,500; and the Company's ratio of aggregate indebtedness (\$1,600,554) to net capital was 0.46 to 1, which is less than the 15 to 1 maximum ratio required of a broker/dealer.

B. Riley & Co. Inc.
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2003

Computation of net capital

Stockholder's equity		
Common stock	\$ 200,000	
Additional paid-in capital	282,719	
Retained earnings	5,714,279	
Unrealized gains (losses) on investments at estimated fair value	<u>2,971,106</u>	
Total stockholder's equity		\$ 9,168,104
Less: Non-allowable assets		
Disallowed cash	(23,193)	
Receivable from related party's	(45,273)	
Other receivables	(119,534)	
Furniture, equipment & leasehold improvements, net	(67,025)	
Investments, at estimated fair value	(4,763,699)	
Securities not readily marketable	(94,500)	
Prepaid expenses	(108,391)	
Refundable deposits	(49,056)	
Other assets	<u>(1,746)</u>	
Total non-allowable assets		<u>(5,272,417)</u>
Net capital before haircuts		3,895,687
Less: Adjustments to net capital		
Haircuts on securities	(327,884)	
Undue concentration	<u>(96,251)</u>	
Total adjustments to net capital		<u>(424,135)</u>
Net Capital		3,471,552
Computation of net capital requirements		
Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 106,704	
\$2,500 per market made (69)	172,500	
Minimum dollar net capital required	<u>100,000</u>	
Net capital required (greater of above)		<u>(172,500)</u>
Excess net capital		<u>\$ 3,299,052</u>

Ratio of aggregate indebtedness to net capital 0.46: 1

There was a \$1 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2003, due to rounding.

See independent auditor's report.

B. Riley & Co. Inc.
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of December 31, 2003

A computation of reserve requirements is not applicable to B. Riley & Co. Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

B. Riley & Co. Inc.
Schedule III - Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of December 31, 2003

Information relating to possession or control requirements is not applicable to B. Riley & Co. Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

B. Riley & Co. Inc.
Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5
For the Year Ended December 31, 2003

KEVIN G. BREARD, C.P.A.
AN ACCOUNTANCY CORPORATION

Board of Directors
B. Riley & Co. Inc.

In planning and performing my audit of the financial statements and supplemental schedules of B. Riley & Co. Inc. for the year ended December 31, 2003, I considered its internal control structure, for the purpose for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practices and procedures followed by B. Riley & Co. Inc. including tests of such practices and procedures that I considered relevant to objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control structure and the practice and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the proceeding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I considered to be material weakness as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2003 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



Kevin G. Breard
Certified Public Accountant

Northridge, California
February 10, 2004